





Congress asked for \$1bn

Air security plan backed by Clinton

By Patti Waldmeir in Washington

President Bill Clinton yesterday moved to allay growing public concern over terrorism, calling on Congress to provide \$1bn to improve US airline and airport security, and to hire more FBI agents to fight terrorist attacks.

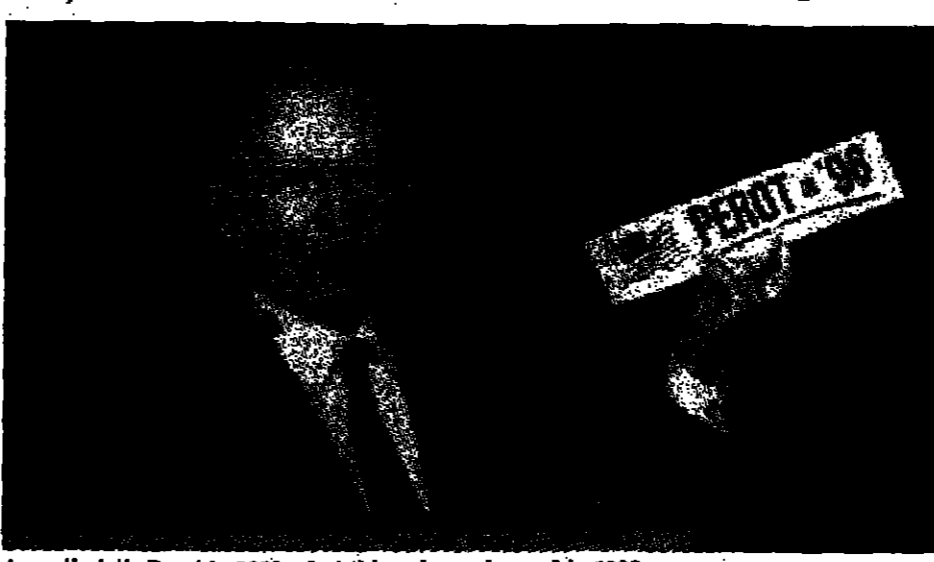
Florida Everglades - terrorism is not suspected.

The third - the July 17 explosion of TWA flight 800 - is presumed to have been the result of a terrorist attack, although no conclusive evidence has yet been found.

Perot finds the comeback trail going cold

This time, the Texas billionaire candidate may not even make the TV debates, writes Jurek Martin

Mr Ross Perot, the US presidential candidate of the new Reform party, is making nothing like the impact he did as an independent candidate four years ago.



An optimistic Perot in 1992 - but things have changed in 1996

Mr Perot had picked a running mate and that an announcement was imminent. But within 24 hours, the party's national director was forced to say that "Clay misspoke himself".

Mr Dick Lamm, the former governor of Colorado, who challenged him for the Reform party's nomination, was not asked to run and now says he will not even vote for Mr Perot.

Others understood to have turned down overtures include former Democratic senator David Boren, now head of the University of Oklahoma, Democratic congresswoman Marcy Kaptur of Ohio, the vigorous free trade critic, and Republican congresswoman Linda Smith of Washington, who made campaign finance reform the leitmotif of her first two years on Capitol Hill.

Bogotá leaders trade threats

By Timothy Ross in Bogotá

Intense speculation is growing in Colombian political circles about who may replace Mr Humberto de la Calle as vice-president, and about whether he really intends to carry out his threat to resign his post.

"It is a pity that my proposal did not receive sufficient support to allow us a way out of this crisis," said Mr de la Calle, confirming that he would present his resignation to the Senate in the next few days "depending on events".

Mr de la Calle is, however, receiving increasing support from several sectors, especially the opposition Conservative party as well as industrialists, business leaders, and farmers' organisations, who have echoed the call for the president to resign and are asking Mr de la Calle to reconsider his own decision.

Sometimes, simple things are the most important.



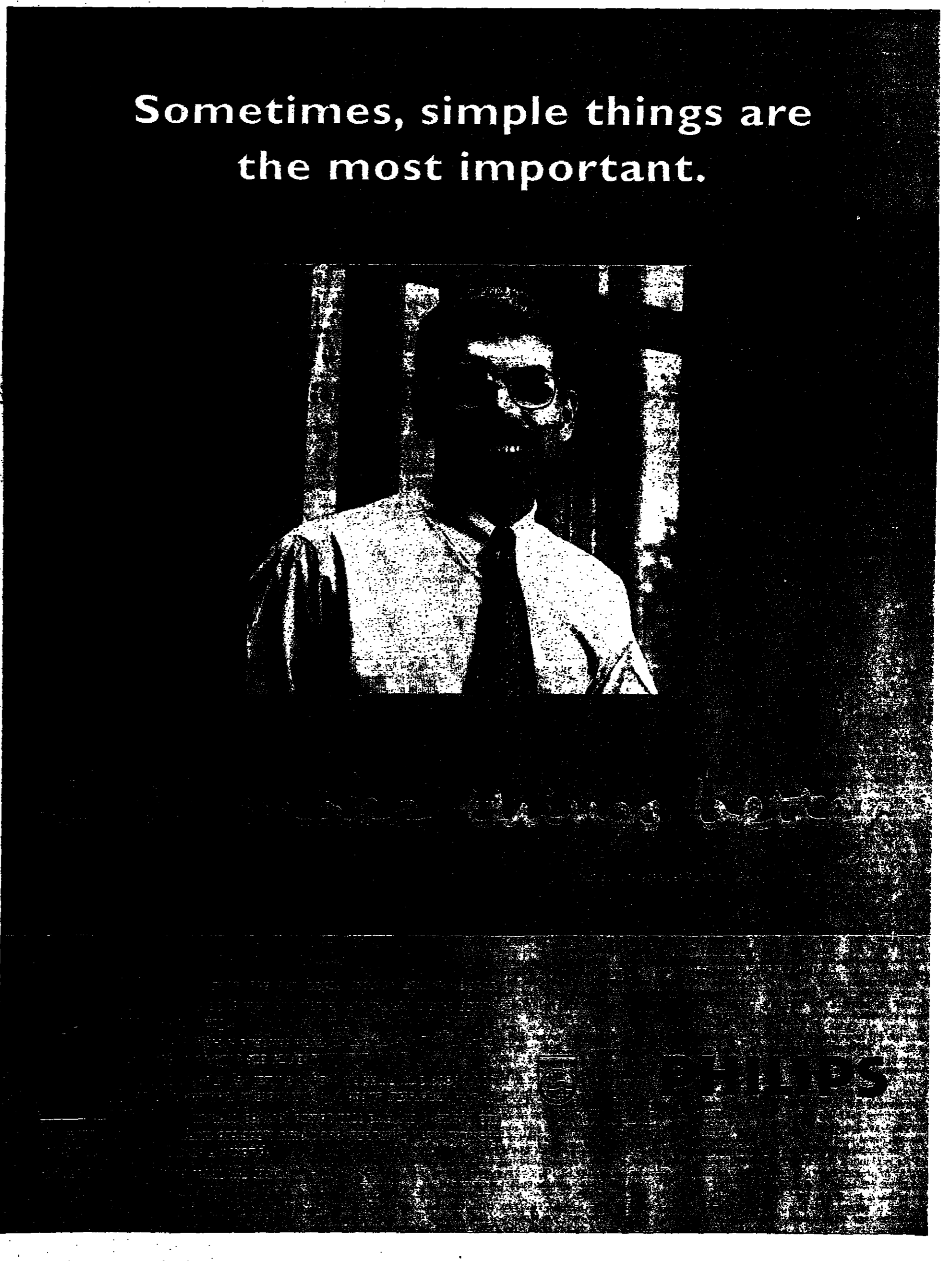
AMERICAN NEWS DIGEST

Whitewater jury scorned

A former Whitewater business partner of President Bill Clinton yesterday vowed to go to jail rather than answer prosecutors' questions before a federal grand jury.

Quebec poll further off

Mr Lucien Bouchard, prime minister of Quebec, has pushed the possibility of another provincial referendum on sovereignty further into the future, perhaps by four years.



NEWS: ASIA-PACIFIC

Japanese surplus shows 27.3% fall

By William Dawkins in Tokyo

Japan's current account surplus declined by 27.3 per cent in July compared with the year before, the result of strong import growth and a rise in the number of Japanese taking foreign holidays, the finance ministry announced yesterday.

Of continuing trade tension, has shrunk. But the Bank of Japan and most private-sector economists think the pace of decline will ease in coming months as a weaker yen makes imports more expensive and exports cheaper in local currency terms.

Exports rose by 16 per cent, greatly outstripped by a 35 per cent rise in imports, reflecting a modest recovery in domestic demand from the unusually low level of mid-1995.

Imports rose across the board, with a 49 per cent rise in the purchase of crude oil, reflecting the usual summer increase in the use of air conditioners, a 53 per cent rise in imports of office equipment and a 46 per cent increase in purchases of clothes.

On the export account, foreign car sales rose by 35 per cent, a rebound from unusually depressed sales in the same period last year, when sales to the US were held up by a trade dispute and US threats of sanctions.



ASIA-PACIFIC NEWS DIGEST

Japanese bank cuts prime rate

The Industrial Bank of Japan yesterday announced a cut of 0.3 percentage points in its long-term prime rate, a benchmark lending rate for first-tier customers. In response to a lingering weakness in business confidence, it was the first prime rate cut for three months by the IBJ.

Manila to appeal in tax case

By Peter Montagnon, Asia Editor

Mr Roberto de Ocampo, Philippine finance minister, confirmed yesterday his government was preparing an appeal to the full supreme court against a five-judge panel ruling rejecting its claim for more than 25bn pesos (\$520m) in back taxes against industrialist Mr Lucio Tan.

Cambodia: the forgiving fields

Cambodia's fledgling government, still trying to hold itself together three years after the country's first democratic election, has been given a difficult proposition.

Phnom Penh is likely to grant amnesty to Pol Pot partner in genocide, writes Ted Bardacke



Ieng Sary during his press conference yesterday.

Mr Ieng Sary, who was tried in absentia and sentenced to death for his role in the extermination of at least 1m Cambodians during the bloody rule of the Khmer Rouge from 1975 to 1979, confirmed yesterday that he would be seeking amnesty.

After more than 30 years of civil war, Cambodians are so tired of fighting that they appear willing to forgo retribution for the guilty in return for peace.

Such a deal would also be of immense financial benefit to the cash-strapped Cambodian government. Former Khmer Rouge fighters and villages under Mr Ieng Sary's leadership, now calling themselves the Democratic National Union Movement, control huge gem mines and vast tracts of timber, which they sell clandestinely to Thai traders.

revenue and could do with the savings on defence spending, which accounts for 60 per cent of total state expenditure.

Under the proposed terms of a peace agreement, Cambodia's two prime ministers and national assembly will ask King Norodom Sihanouk to grant amnesty to Mr Ieng Sary.

when Pol Pot started to make mistakes, Mr Ieng Sary said it was in 1979 - long after hundreds of thousands of Cambodians had been put to death - when the Khmer Rouge invaded Vietnam.

A recent nationwide poll carried out by opposition parties claimed 54 per cent of Cambodians in favour of amnesty for Mr Ieng Sary, 26 per cent against and 20 per cent undecided.

Brussels seeks united front against US

By Guy de Jonquieres in London and Lionel Barber in Brussels

The European Commission yesterday tried to restore a united front in favour of retaliation against punitive US legislation against Cuba, Iran and Libya, insisting there were no plans to defer action until after the US presidential election.

"press ahead urgently" with the proposals, which he expected the Council to adopt soon.

The Commission said measures would be "in place" before the November 5 election. But it made no commitment to carrying out retaliation - apparently a reflection of what are believed to be substantial legal difficulties and political reservations about specific counter-measures.

Commission has hit difficulties over how it should retaliate

clear whether President Bill Clinton would renew his partial waiver of Helms-Burton beyond mid-January.

Meanwhile, Sir Leon and Ms Charlene Barshefsky, acting US trade representative, met in London yesterday to discuss how the EU and US could co-operate more closely on multilateral trade policy.

Spokesmen for Mr Santer and Sir Leon said the Commission was determined to seek approval next month from the Council of Ministers for a planned "blocking statute" to provide legal protection for EU-based companies affected by Helms-Burton and a recent US law against trading with Libya and Iran.

WTO ruling 'could ruin poor banana economies'

By Frances Williams in Geneva

Caribbean banana-producing economies face collapse if the World Trade Organisation upholds Washington's complaint against the European Union's banana import regime.

Edwin Laurent, Brussels ambassador of the East Caribbean States, said the Caribbean industry could not survive without preferential EU access for its high-cost bananas.

Two dispute panels set up by Gatt, the WTO's predecessor, ruled against the EU scheme but the reports were vetoed by Brussels.

rules, granted in late 1994 for the Lomé Convention under which the EU accords preferential trade terms, aid and technical co-operation to some 70 African, Pacific and Caribbean (ACP) nations.

from Chiquita, the US-based banana marketing company, that its European business was being harmed by quotas.

and 42 per cent of the EU market.

Ukraine claims Russian import tax breaches free trade treaty

Vodka row stirs trade tension between Moscow and Kiev

By Matthew Kaminski in Moscow

Russia and Ukraine are on the verge of an open trade war, straining efforts to improve economic and political relations.

At the heart of the row are Moscow's plans to introduce a 20 per cent value added tax on all Ukrainian imports which Russian producers claim undercut their prices.

Kiev says this would violate a three-year old free trade treaty. The tax on Russian imports of Ukrainian vodka has been particularly contentious.

the free trade treaty. Russia imports about 1.27m litres a year, about half total consumption.

The simmering trade dispute highlights some of the practical obstacles to re-establishing links between former Soviet republics with differing economic interests.

Moscow needed the VAT to boost its sagging budget revenues. A ministry of economics official told Kommersant, a daily newspaper, that Russia loses \$500,000 a day from the "dumping of Ukrainian goods".

Ukrainian vodka producers in particular, have done well in the export league. The hryvka, or Ukrainian vodka, accounts for 23 per cent of all Russian vodka imports, and had seen its market share nearly triple when sanctions were introduced last year under

the free trade treaty. Russia imports about 1.27m litres a year, about half total consumption.

WORLD TRADE NEWS DIGEST

Protests stall Taiwan plant

Environmental protests have stalled a proposal by Bayer, the German chemicals group, to build a T\$49.2bn (US\$1.8bn) chemical plant in the Taiwanese port city of Taichung.

Taichung residents have gathered 15,000 signatures in a petition against the project, citing environmental and health concerns.

Audi in Philippines drive

Audi, the German carmaker, yesterday said it was planning to assemble 2,000 cars a year in the Philippines by the turn of the century.

Earlier this year, General Motors chose Thailand as its Asian export headquarters after seriously considering the Philippines.

مكتبات الامم المتحدة

مخزن العمل

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Chief Executive Officer

George Fisher  
Chairman, President & CEO  
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Chief Executive Officer

Dan Doyle  
Chief Executive Officer  
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NEWS: INTERNATIONAL

Iraq-backed Kurds take key town

By John Barzman in Ankara, Edward Mortimer in London and Patti Waldmeir in Washington

Kurdish forces allied to Iraq's President Saddam Hussein claimed last night to have captured Sulaimaniya, the Kurdish enclave's largest city held by the rival Patriotic Union of Kurdistan (PUK). Earlier, Peshmerga guerrillas of the Kurdistan Democratic Party (KDP) seized the strategic Lake Dukan and its hydroelectric installations. Mr Shazad Saib, the PUK's representative in Ankara, said it did not attempt to defend Sulaimaniya because "we do not want to subject the city to artillery or chemical weapons." Thousands of civilians are fleeing eastwards towards the Iranian border. Mr Saib said PUK guerrillas would take to the mountains to harass Iraqi and KDP forces. In London Mr Hoshiyar Zebari, the KDP's representative, claimed the PUK had "collapsed completely" and that there was an uprising in the city against its rule. "Thousands of their fighters are surrendering," he said, adding that this time, unlike during the capture of Arbil ten days ago, "not a single Iraqi soldier is involved; it's a purely KDP operation." Washington too dismissed PUK claims that the KDP was relying heavily on Iraqi support. Mr William Perry, US defence secretary, referred to the new bout of fighting as a "Kurdish civil war". The surrender of Sulaimaniya virtually eliminates the PUK as a force in the region, enabling Mr Masoud Barzani, KDP leader, to take sole control of Kurdish northern Iraq. He is supported by Iraq's President Saddam Hussein, and western diplomats fear Baghdad will soon resume effective control over the region, five years after it was forced out in the wake of the Gulf war. Although Mr Barzani has imposed a crushing defeat on his bitter rival, observers say he will soon be forced to submit to Mr Saddam. A western diplomat said: "Barzani is Saddam's proxy." Until the intervention of Iraqi troops on August 31 the PUK had occupied just over half the Kurdish enclave's territory as well as its main cities Sulaimaniya and Arbil, the regional capital. Then Mr Barzani's peshmergas captured Arbil from the PUK with heavy Iraqi military support. Capture of Lake Dukan and its generators will enable the KDP to restore electricity to Arbil. Power supplies were cut when the city fell, causing serious water shortages when the electric water pumps stopped working. Mr Jalal Talabani, PUK leader, is understood to have quit Sulaimaniya yesterday afternoon. PUK officials say he received no answers to appeals for help from neighbouring governments or from Washington. In Washington, President Bill Clinton said the US was doing all it could to help Iraqi dissidents get out of the country. He was answering questions about some 200 Iraqi Arabs with links to the Central Intelligence Agency who are reported to have appealed for political asylum in the US. The men belong to the Iraqi National Congress, and are believed to have been involved in a covert CIA operation to destabilise the Iraqi regime. Editorial Comment, Page 18

Kazakh dissent stilled by silence

Press criticism of the president takes place in an opposition vacuum, writes Sander Thoenes

Two Kazakh newspapers last month broke a national taboo by criticising Mr Nursultan Nazarbayev, the country's powerful president. They more than hinted that Mr Nazarbayev was corrupt, and appear to have got away with it. At least they were ignored. The government did not bother to reply. Other newspapers ignored the accusations. No questions were asked in parliament. While the incident appears to show that Kazakhstan can boast a free press in an otherwise authoritarian region, there is some disaffection with the government. "Nepotism in our country," acknowledged Mr Jukat Koanishiev, the president's spokesman. "Russians have a nuclear family, while many Kazakhs have large extended families, tied to other families. That is characteristic of many people here. That may be one of the causes of this problem. But that is a natural phenomenon. You cannot legislate that away." Mikhailichenko has the hope that his article will inspire many Kazakhs to action. "People are not inclined to protest here," he said. "From birth they are taught to be quiet and respect their elders. Nazarbayev is the ultimate elder." Mr Nazarbayev, former secretary of the Communist party of Kazakhstan and president ever since his vast country declared independence in 1991, has twice faced an unfriendly parliament and twice managed to get it replaced, each time with fewer powers. But he has avoided the political repression that characterises neighbouring Uzbekistan, Turkmenistan and Tajikistan. He has also been careful to appease a large Russian minority by granting Russian near-equal status to Kazakh, the national language. But, said Mikhailichenko, "people are fed up. People are not paying their taxes - that is a form of protest. People do not believe the law protects them and do not feel obliged to observe the law. That is protest too." Mr Peres hopes to channel that discontent into support for a new opposition movement.



'People are taught to respect their elders,' says a critic. And Nazarbayev, above, 'is the ultimate elder.'

ment. Azamat, which is founded together with other prominent intellectual. "Despite the widespread apathy in society, a sense of something has to change, growing," he said.

If people used to assume that Mr Nazarbayev was misled by his advisers, Mr Svobik added, "now people begin to understand who is really to blame. Only the president can implement democratic reforms. Our task is to raise the masses' demand that he does." Mr Svobik admits that the movement is still small and absent in a parliament that in any case lacks legislative power. While that may make it easy for the president to ignore him, Mr Svobik is convinced Azamat is already making an impact. "The lack of a response to these articles is a sign of weakness rather than strength," he said. "The government has no answer to my criticism."

When Mr Svobik and Azamat leaders began a tour of the country recently they were detained for a day by the police who accused them of driving a stolen vehicle. They were released the next day when the car proved to be legitimate. A day later the car broke down. "Maybe that was a coincidence, but I do not think so," he said. Mr Nazarbayev, in an interview this summer, acknowledged that he had to show results for his reforms soon. "We need to improve the lives of the people of Kazakhstan faster. If we do not do that quickly the population may get fed up."

Forests dwindle at record rate

By Frances Williams in Geneva

Environmental organisations yesterday accused governments of failing to act to protect the world's dwindling forests despite new evidence that they are being destroyed at an unprecedented rate, primarily by commercial logging. A report by Environmental Investigation Agency, a London-based Washington-based group, says only a new legally-binding global accord could curb the "systematic, unchecked plunder" of forests by logging multinational companies, which are having a disastrous impact on national economies and the global environment. The EIA report, issued to coincide with a two-week meeting in Geneva of the United Nations Intergovernmental Panel on Forests, highlights the activities of 15 of the world's leading timber and paper groups, including Mitsubishi of Japan, Danzer and Glunz of Germany, Canada's MacMillan Bloedel, and Wysshauser and Georgia-Pacific of the US.

The report also documents examples of corruption, bribery and illegal business practices by logging multinational companies which are estimated to control nine-tenths of the \$10bn-a-year international timber trade. "The handful of companies controlling the timber trade have economic and political might to log wherever they want. Once forests are exhausted in one region, companies simply move elsewhere," says Ms Juliette Williams, EIA's forest campaigner. Separately, WWF-World Wide Fund for Nature yesterday launched the first ever digital global forest map, a version which is putting on the World Wide Web (http://www.panda.org).

The map, compiled by the World Conservation Monitoring Centre in Cambridge, shows that only 6 per cent of the world's remaining forests are formally protected from destruction and that deforestation is increasing in spite of government pledges of conservation. In the Brazilian Amazon, for instance, the pace of deforestation has jumped by 34 per cent since 1995, the year of the UN Earth Summit in Rio de Janeiro, according to the WWF.

"Corporate greed, corruption and the destruction of the world's forests, available from EIA, 1 Bowling Green Lane, London, EC1R 3BD, fax +44 171 490 0396.

Barak bids to succeed Peres

By Avi Machlis in Jerusalem



Barak: a centrist

Mr Ehud Barak, the former Israeli foreign minister, yesterday announced his candidacy for leadership of Israel's Labour party and said he would challenge former prime minister Yitzhak Rabin, the rightwing prime minister, ousted Mr Peres from the premiership in elections in May. Political analysts say the 54-year-old Mr Barak, a centrist and former head of the Israel defence forces, is more capable of garnering public support for Labour's peace policies among security-conscious Israelis than the dovish 73-year-old Mr Peres. Mr Peres, who became prime minister in November 1995 following the assassination of Mr Yitzhak

run for the leadership of the Labour party," he said. Mr Barak's move is the first concrete step towards changing Labour's old guard, and removing Mr Peres from the party pinnacle, since Mr Benjamin Netanyahu, the rightwing prime minister, ousted Mr Peres from the premiership in elections in May. Political analysts say the

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SEC expert keeps eye on global accounting standards

By Jim Kelly in London

A former senior partner with Arthur Andersen, he is a professor at the University of Illinois. He reports regularly to Mr Mike Sutton, the SEC's chief accountant, on the work being done by the International Accounting Standards Committee. Mr Wyatt once chaired the committee, so he knows both sides of the project. Mr Wyatt sees three tasks: to judge which standards fit the basic principles of the US code, which ones are improvements on the exist-

ing code and, finally, which ones reveal "crucial shortcomings" - a rare category, it is hoped. The committee, led by Sir Bryan Carsberg, its secretary general, is striving to complete a set of standards by early 1998 for endorsement by Iosco - the organisation for the world's leading securities regulators. If completed, and accepted by the SEC and others, companies would be able to raise capital on all the world's leading exchanges with one

set of accounts. This would not only save money. It would also improve management performance and investor confidence, in turn making capital cheaper. The support of the SEC is crucial to the project's success. It is being encouraged by the New York Stock Exchange - and others - which wants to attract up to 200 world-class companies currently unlisted in the US. "My expectation is that the SEC will buy into international standards," he said

an interview. "That will be a catalyst for change elsewhere. We will probably have them as the basis for multinational companies, but domestic companies following local standards." The ambitious deadline for the project has been criticised by some national standard-setters, no doubt standing about losing power. Mr Wyatt dismisses the timetable problem. "There may be a large or seepage but it is not of great concern as far as I see. The objective is to

get the job done properly." He also dismisses suggestions that the standards will simply be a vehicle for the US code, designed to attract companies which would object to the Washington standards. "I don't think the SEC is going to hold anyone hostage," he said. Instead, the new code would reflect the traditions of investor-orientated accounting - a tradition which underpins codes in the US, the UK, and the Commonwealth. Even if it

does mirror the principles of the US code, it is certain to be less voluminous and prescriptive - charges increasingly levelled against US standards. The main area still to be resolved is interpretation. Accounting standards can be all things to all men. Most leading standard-setters have a body which lays down "correct" interpretation on particular issues. Mr Wyatt believes the SEC will back such a body being set up by Sir Bryan.

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INTERNATIONAL ECONOMIC INDICATORS: PRICES AND COMPETITIVENESS

Yearly figures are shown in index form with the common base year of 1985. The real exchange rate is an index throughout other quarterly and monthly figures show the percentage change over the corresponding period in the previous year and are positive unless otherwise stated.

Table with columns for countries (USA, Japan, Germany, France, Italy, UK) and rows for various economic indicators like Consumer prices, Producer prices, Exchange rates, and Real exchange rates.

Statistics for Germany apply only to western Germany. Data supplied by Deutsches and WERA from national government and IAP sources, and by IAP, Mopart, New York. Consumer prices: not seasonally adjusted. Producer prices: not seasonally adjusted. US - British goods: US - manufactured goods, Germany - British goods, France - intermediate goods, Italy - producer prices, UK - manufactured goods. Exchange rates: not seasonally adjusted, refers to earnings in manufacturing export. France and Italy (price cases in bold). Heavily except Japan (monthly) and UK (quarterly). Unit labour costs: seasonally adjusted, measured in domestic currency. Germany: mining and manufacturing, other countries - manufacturing industry. Real exchange rate: 100 represents real effective exchange rate index versus 10 industrial country currencies, adjusted for change in relative price of domestic manufactures. A fall in the index indicates improved international competitiveness.

مكتبة الفضل

FINANCIAL TIMES COMPANIES & MARKETS

Tuesday September 10 1996

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TRADITIONAL GARAGES

IN BRIEF CGIP in talks to take Cerus stake

Compagnie Générale d'Industrie de Participations is reported to be in talks to keep Cerus, the French holding company owned by Mr Carlo De Benedetti, the Italian industrialist, in French hands.

Bangkok slides despite rescue fund

Thailand's SET index continued its slide, shedding 21.19, or 2.1 per cent, to close at 988.22 as investors unable to top up margin loans were forced to sell.

Porsche to make 'cheep' cars

Porsche, the German luxury sports carmaker, will cut production of its 911 model by 5,000 units this year to accommodate output of the new 'cheep' Porsche.

Kiwi carrier in voluntary liquidation

Kiwi International Airways - the carrier set up to compete with Qantas and Air New Zealand in the budget air travel market - went into voluntary liquidation, leaving passengers stranded in several Australasian cities.

Dell server launch may spark price war

Dell Computer has introduced a range of aggressively-priced server computers, which it predicted would spark a price war in the PC industry.

Campbell hauls itself out of the soup

Back in the 1980s, Campbell Soup of the US might justifiably have been described as a dog-earner, with disappointing share price and a share price was trailing the market and the leading shareholders were arguing over the company's future.

Fairley's acquisition strategy on hold

Fairley Group, the UK industrial electronics and specialist engineering company, has put a brake on its acquisitive expansion strategy after its latest bolt-on left it with negative shareholder funds.

Companies in this issue AT&T Universal Card 10 IBM 10 American Express 10

Market Statistics Annual reports service 28-29 FT-SE Actuaries Index 30 Benchmark Govt bonds 22

Chief price changes yesterday Frankfurt (Dax) Dax 100.5 + 5.8

London (FTSE 100) FTSE 100 2795.5 - 10.5

MGAM affair sparks marketing review

The Investment Management Regulatory Organisation has pinpointed three areas of possible reform of the rules governing investment funds in the wake of irregularities discovered at Morgan Grenfell Asset Management.

Mr Peter Young, the fund manager at the heart of the Morgan Grenfell affair, took his European Growth Trust into areas which had little to do with its name, such as North American natural resources.

Mr Young is also likely to examine the limits placed on fund managers' investments in unlisted securities, which are typically illiquid and difficult to sell if a fund needs to raise cash to meet redemptions by investors.

Mitsui chemicals groups in talks on merger

The two main chemical producers in the Mitsui group, one of Japan's top keiretsu corporate families, are negotiating a merger to seek economies of scale in the face of growing international competition.

Eurotunnel expects refinancing deal in weeks

Eurotunnel is just "eight hours of negotiations" away from a refinancing deal with its leading banks, Sir Alastair Morton, the group's co-chairman, said yesterday.



The losses included interest charges of £332m, against £265m, the bulk of which have not been paid since the group suspended interest payments on £2.4bn of debt last September.

Eurotunnel also announced special tariffs for shareholders on rail services, as a reward for "loyalty".

France Télécom set for public offer in April

Private investors are to have their first opportunity to invest in France Télécom shares next April if market conditions are "favourable", according to Mr Michel Bon, chairman of the state-controlled operator.

The group is due to be incorporated on January 1 1997. The government has promised to retain a 51 per cent stake, with a maximum of a further 10 per cent reserved for employees.

As a result, the company has high market penetration, with 56 lines per 100 people and a fully digitalised network.

US drugstore bids raise pace of consolidation

Two acquisitions, one of them hostile, were unveiled in the US drugstore industry yesterday, reflecting the continuing pressure on retailers from mail order and other discount sellers.

Phar-Mor, a company with 102 stores, put a value of \$1bn on its agreed purchase of ShopKo, a discount chain with 130 stores stretching across the Midwest and north-west.

CIN Management manager of over £15 billion of marketable securities assets for the Coal Pension Schemes

has been acquired by Goldman Sachs Asset Management

from British Coal Corporation

advised by HSBC Samuel Montagu

HSBC Samuel Montagu is a division of HSBC Investment Bank plc which is regulated by SFA.

COMPANIES AND FINANCE: EUROPE

CGIP in talks to keep Cerus French

By David Owen in Paris

The Valeo saga has taken a new twist with reports that Compagnie Générale d'Industrie et de Participations is in talks to keep Cerus...

stake in the automotive components group that is currently held by Cerus. Mr Seillière is already a member of the Valeo board.

FFr9.20, or 3.3 per cent, to FFr270.50. Yesterday's developments came just days after Mr Franck Borotra, the French industry minister, triggered renewed speculation of an imminent sale of the Cerus shares by suggesting a French offer for the stake would be made by the end of September.

at one time or another as possible buyers. Rumours of a possible interest on the part of at least two US companies, including Delphi, the components arm of General Motors, sparked an outburst from some of Valeo's biggest customers...

Valeo last week announced a 4.3 per cent advance to FFr666m (\$199m) in first-half net profits. The scale of the increase was substantially lessened by the inclusion to 1995 figures of a FFr120m capital gain. Excluding this gain, the figure rose a more impressive 31 per cent.

Eurotunnel to remove investors' anonymity

By Andrew Jack in Paris

Eurotunnel took a pioneering step in French capitalism yesterday, when it announced details of a plan designed to convert large numbers of its investors into "nominative" shareholders.

In the UK, the vast majority of investors are identified by name, address and number of shares on publicly and cheaply available lists managed by company registrars.

According to some industry estimates, just 3 to 4 per cent of the shares in large quoted French companies are held as nominative stakes, with the rest in anonymous "bearer" form, usually in registers maintained by the bank through which individuals originally bought their shares.

France is a Catholic, Latin country. People have difficulties with handling money, says one company director. "They like to keep it secret."

The only way the public - or even the company itself - can find out shareholders' identity is to apply to the French bourse's official register, which makes a charge for each name extracted from its database, and offers only an snapshot which rapidly becomes out-dated as investors buy and sell their shares.

For Eurotunnel, with 745,000 investors, the existing system poses particular problems. It has just 135,000 nominative shareholders - these are almost exclusively its UK investors.

There are only 3,000 French nominative shareholders, who are obliged to pass through a company registrar based in the UK.

Each time it demands the full list of investors from the French bourse, the cost is about FFr1m. In addition, to gather the quorum necessary for its annual general meetings, it has to pay FFr250 to a bank for each shareholder identified who agrees to attend.

Nethold assets 'worth \$1.8bn'

The assets of Nethold, the pay-TV subsidiary of Rijkmond of South Africa, are worth \$1.8bn, or more than FFr9bn (\$1.76bn), said Mr Laurent Perpere, managing director in charge of finance at Canal Plus, the French television group which is merging with Nethold.

Richemont will own 15 per cent of Canal Plus after the merger, with MIB of South Africa owning 5 per cent. Mr Perpere told analysts yesterday that this valuation, which excluded Nethold's 6.6 per cent stake in Mediaset of Italy, was based on Canal Plus's closing share price on September 5.

The assets, which would be transferred in Canal Plus's proposed acquisition of 100 per cent of Nethold's equity, have an estimated turnover of FFr2bn. The largest number of Nethold subscribers is in Italy - through Telepiù and Mediaset - followed by Scandinavia, the Netherlands, Belgium and Central Europe. Before the merger, Nethold would spin off to MIB, currently owner of 50 per cent of its equity, its pay-television business in Africa, the Middle East and the eastern Mediterranean.

AFX News, Paris

Böhler Uddeholm warns

Böhler Uddeholm, the Austrian speciality steelmaker whose shares hit a new low last week, yesterday reported that new orders in the first six months of 1996 fell 27 per cent to Sch5,030m (\$490m) and its order backlog fell nearly a third to Sch3,140m.

Net profits fell 7 per cent to Sch552.9m, reflecting a tax rate more than doubled owing to a temporary postponement of tax loss carry forward allowances for 1996 and 1997. Mr Claus Raidl, Böhler chief executive, said that emphasis on added value products and cost-saving measures had helped offset pressures on selling prices. But the weak order intake would influence the second-half results and the company had begun to lay off staff at its plants in Austria and Sweden.

Mercedes upbeat on car sales
Mr Helmut Werner, chairman of Mercedes-Benz, the German automotive group, said car sales in the eight months to August had rose 10 per cent from a year earlier, to 423,000 units.

Global One, the three-way international telecommunications venture between Deutsche Telekom, France Télécom and Sprint, yesterday appointed a new chief executive, Mr Viesturs Vucins, former boss at Global One's leading rival, Uniworl.

No payout from Concordia
Concordia Bau und Boden, the German property development company, yesterday announced it would not be paying a dividend after pre-tax losses of DM106m (\$73m) in 1995.

Porsche reduces 911 output to make 'cheap' car

By John Griffiths

Porsche, the German luxury sports car maker, will cut production of its 911 model by 5,000 units this year to accommodate output of the new "cheap" Porsche, the DM77,000 (\$52,000) Boxster will go on sale in all world markets next month, said Dr Wendelin Wiedeking, Porsche chairman.

Porsche plans to build 15,000 Boxsters during the next year, pushing production at Zuffenhausen, near Stuttgart - where the 911 is built on the same production line - to "bursting point".

As a consequence, said Dr Wiedeking, Porsche 911 output - at a record of nearly 21,000 last year - would fall to 15,000 as Porsche could not currently build more than 30,000 units a year at the plant.

He said it was intended to "squeeze" further efficiencies out of the Zuffenhausen facilities by changing working patterns and further streamlining assembly systems.

However, it was unlikely Zuffenhausen would be able to achieve an annual output significantly above 32,000 without substantial new investment.

Dr Wiedeking said it was too soon to make firm plans for expansion. However, with Porsche sales of the 911, the cheapest version of which is almost twice as expensive as the Boxster, rising more than 10 per cent last year and the Boxster already receiving very favourable reviews in the motoring press, demand was likely substantially to outstrip Porsche's ability to supply for several years.

Porsche's calculation of the likely severe production shortfall is based on research showing that the 911 competes in a world market for luxury sports cars totalling only 60,000 units a year.

The Boxster will compete in a market of a further 440,000 units a year.

While this section is seeing an increasing number of new entries, such as Mercedes' SLK two-seater, Mercedes itself acknowledges that it has underestimated demand for such cars and has warned that SLK customers could face waits of a year or more.

Dr Wiedeking refused to speculate on how Porsche might resolve the capacity crisis. But he indicated that any additional capacity would be added inside Germany, in contrast with BMW, whose new Z3 sports car is being produced in the US.

Last year's 20,000-plus output of 911s - the only model built by Porsche for several years - compares with fewer than 12,000 in 1993.

However, it is less than half the 50,000 Porsche badged cars being built and sold in the peak years of the 1980s, when most of the output was accounted for by 944 models produced for Porsche by Audi - an arrangement which has been abandoned.

Meanwhile, Dr Wiedeking indicated that Porsche was having second thoughts about expanding its product range by collaborating with other German vehicle makers.

He said Porsche was thinking "long and hard" about whether it should go ahead with the proposal under which there would be a Porsche-badged version of the sports utility vehicle Mercedes is about to start building in Alabama.

He indicated that another proposal, for a "Porsche" version of Volkswagen's Sharan multipurpose vehicle would not proceed. "Sometimes it is necessary to put forward such projects as a means of gauging public reactions to them," he added.

Casino disappoints with 44% advance

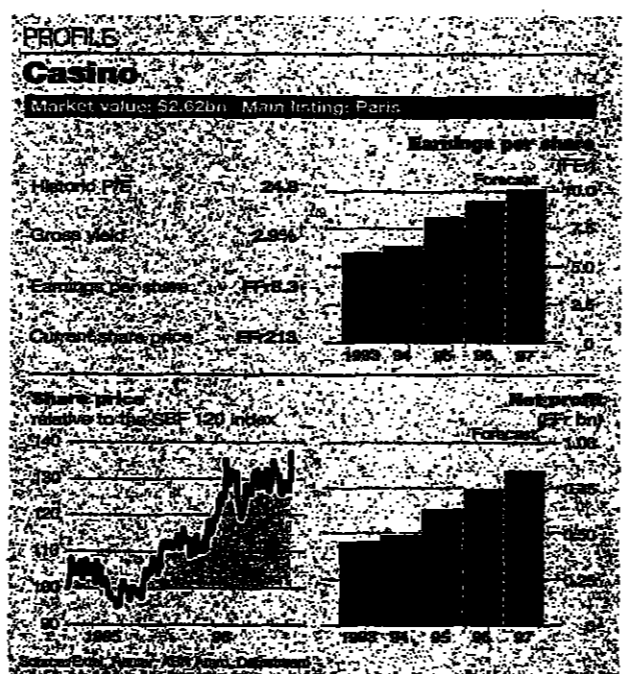
Shares in Casino, the French retail group, fell 1.5 per cent to FFr214 on disappointment with its first-half operating results, brokers said, report Reuters in Paris and Our Financial Staff.

Casino reported a 44.8 per cent surge in net attributable profit but an 8 per cent rise in operating profit. The gains were due to the performance of its Casino USA unit and a drop in financial expenses to FFr160m (\$31m) from FFr208m.

Exceptional gains were FFr70m in the first half of 1996, up from FFr20m a year ago, but one trader said its domestic performance was disappointing given Casino's dependence on its home market.

The big French retailers are facing government measures designed to favour smaller shopkeepers. But traders on the Paris bourse yesterday said that rival Carrefour appeared to be a better buy.

In June Casino tried to restructure its debt and strengthen its capital base with the launch of a FFr3.4bn bond issue.



In March Mr Antoine Guichard, the chairman, announced ambitious plans for international expansion, involving the cash-and-carry market in the US, and other developments in Europe and Asia.

CDC in Crédit Foncier bid

By Andrew Jack in Paris

Caisse des Dépôts et Consignations yesterday launched a takeover bid for Crédit Foncier de France, the specialist property bank. The bid, which remains open until October 4, was launched on behalf of the French state in an effort to salvage the bank, which reported losses of FFr10.7bn (\$2.11bn) for 1995.

However, the offer of FFr70 a share was much lower than an independent valuation, suggesting the shares were worth as much as FFr98 each. Crédit Foncier investors have been campaigning to lift the value of any bid for their shares.

An official valuation in the takeover document released yesterday placed the value of Crédit Foncier in the range of between FFr90 and FFr70. However, a separate valuation in the document commissioned at the request of the government from Detroyat Associates gave a higher range of between FFr68 and FFr98.

The accountancy firm said that a price 15-20 per cent higher than the FFr70 a share bid would have been justified from a stock market viewpoint.

The figures will provide a boost to shareholders who claim Crédit Foncier took unnecessarily high provisions last year, reducing the value of their shares unjustifiably.

However investors received two setbacks last week when the French takeover panel ratified the bid, and the Paris commercial court overruled a legal attempt to fight the current plan.

shareholders, is still battling for a hearing in the courts later this month in which they hope to rule invalid the Crédit Foncier Annual General Meeting at the end of June which approved the 1995 accounts.

Yesterday's offer documents stresses that the French state will pick up the FFr2.6bn cost of the takeover, although in the short term it is being funded directly through the Caisse des Dépôts.

The Caisse itself will sell its 1.6m shares in Crédit Foncier as part of the takeover. The board of Crédit Foncier is recommending that shareholders take up the offer, arguing that the sole alternative would be liquidation. However, Mr Alain Devals, the employee director on the board, voted against this.

Advertisement for American Depositary Shares. It features the text '2,875,000 American Depositary Shares' and 'Professional staff Representing 2,875,000 Ordinary Shares'. It lists several financial institutions as agents, including Unterberg Harris, George K. Baum & Company, Dillon, Read & Co. Inc., Donaldson, Lufkin & Jenrette, and others.

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Advertisement for The St Paul Companies, Inc. It features the text 'The St Paul' and 'The St. Paul Companies, Inc. Interim Results (Unaudited) for the Six Months Ended June 30, 1996'. A table shows financial data for six months ended June 30, 1996 and 1995. Total Revenues: 1996: \$2,859,812,000, 1995: \$2,598,187,000. Net Income: 1996: 258,874,000, 1995: 223,563,000. Net Income Per Common Share (fully diluted): 1996: 2.83, 1995: 2.47. Total Assets: 19,608,481,000. Common Shareholders' Equity: 3,685,140,000. For a full copy of The St. Paul Companies, Inc. half-yearly report for the period ending June 30, 1996, please contact: Mînet Group, Mînet House, 66 Prescor Street, London E1 8HG England. Attn: Company Secretary.



COMPANIES AND FINANCE: P&O-NEDLLOYD MERGER

Container operators in uncharted waters

There is now a question mark over the future of the sector's alliances, says Charles Batchelor

Plans for a full-scale merger of the container operations of P&O of the UK and Royal Nedlloyd of the Netherlands mark another step in the continuing rationalisation of a hard-pressed sector.

Harried by competition regulators in Brussels and Washington, the large container lines have been forced to drop the traditional method of stabilising markets - shipping conferences - and have turned to what are known as "alliances".

These allow for far-reaching co-operation, including a common timetable of sailings and the combined purchase of road and rail capacity at either end of the sea voyage. But because they do not involve price fixing they have so far escaped the regulators' censure.

What the alliances fail to deliver is the speed of decision-making, the incentive to reduce costs and the close working between managements which P&O and Nedlloyd are seeking.

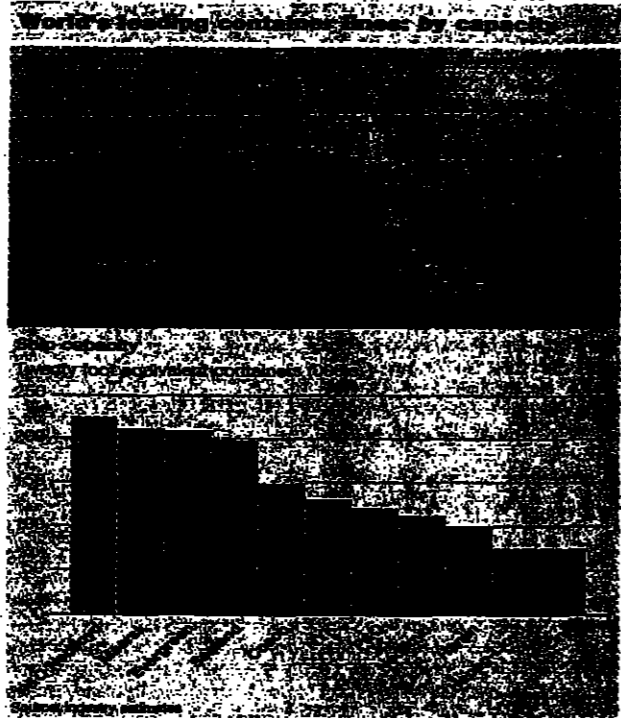
"In an alliance you are doing the same things but you still compete," says Lord Sterling, P&O chairman. "Once you go across borders companies become very protective. Alliances are not dead but their members will have to think carefully about how they operate."

It is just as well for P&O that there is still life in alliances, because it has devoted considerable efforts over the past year to establishing a workable alliance - without Nedlloyd.

P&O last year pulled out of a long-standing deal with the Danish Maersk group to form a Grand Alliance with Hapag-Lloyd of Germany, NYK of Japan and the Singaporean Neptune Orient Line. Maersk was ditched because of its lack of trades across the Pacific. Nedlloyd, meanwhile, is a member of the Global Alliance with Mitsui O.S.K. Orient Overseas Container Line and American President Lines.

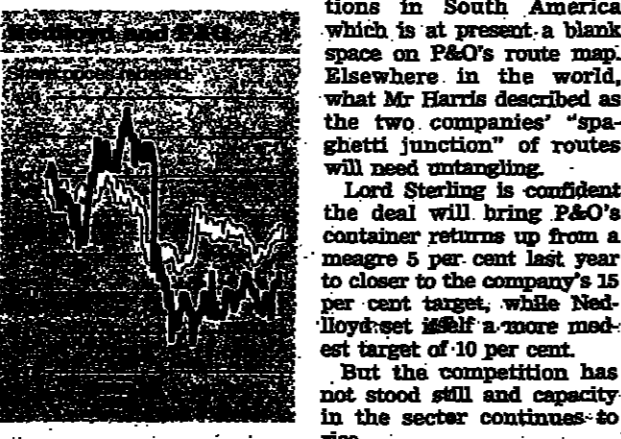
How the two companies' partners in these alliances will react to the link-up is a big question mark over yesterday's deal. Adding new partners changes the economics of carefully crafted agreements and it is unlikely the merged group will be able to remain a member of both alliances.

Commercial confidentiality meant that none could be informed before the link-up was announced, although P&O has been hinting for some time that it needed a solution to poor returns from container shipping. Conceding that the ques-



tion of the Grand Alliance was sensitive, Lord Sterling promised that "whatever is done will be done correctly and elegantly". However, one analyst calculated it would be in the two companies' interests to be ejected from their alliances, if that was what their partners wanted, rather than seek to leave and be forced to pay compensation.

The aim of the merger is to gain the significant economies of scale which come from a larger co-ordinated



operation. In a commodity business such as containers, where whisky can be shipped from Europe to the Far East for a few cents a bottle, the winners will be those companies which can pare their costs to the bone. Mr Tim Harris, chief executive of the merged group, forecasts the two companies will make savings of at least \$200m over the next 18 months from the link-up, including \$180m in staff

Venture gives lift to market confidence

Lord Sterling of Plaistow, P&O chairman, has gone a long way towards restoring City confidence in the group with yesterday's announcement that it was merging its containers operation with Royal Nedlloyd of the Netherlands.

Analysts, many of whom have been highly critical of P&O's strategy in recent months, welcomed the deal to set up a joint venture with Nedlloyd, which will create one of the biggest container ship fleets in the world.

Shares in the transport, property and construction group rose 42 1/2% to 559 1/2p on the news. The decision follows a period of disillusionment with P&O in the City. The shares were the worst performing in the FT-SE 100 index last year, prompting a whispering campaign about

Lord Sterling's future as chairman.

The group's dilemma was that its huge capital expenditure budget - around \$700m (\$800m) this year and next - was supported by several businesses which were producing inadequate returns.

Containers, along with ferries, were two of the worst offenders. Despite Lord Sterling's protests, there were persistent fears that P&O's high debts would force it to cut its dividend. "The group was in danger of living beyond its means," said Mr Richard Hannah, analyst at UBS.

Lord Sterling responded in March with a \$1bn disposal programme, including the planned flotation of Bovis Homes. However the asset sales did not lead to a significant improvement in the shares. Those anxieties have been



Lord Sterling (left) and Leo Berndsen yesterday

severely eased by yesterday's announcement. The immediate effect will be to reduce P&O's net debts by \$262m, with a further \$87m payment coming later on. Analysts estimate this will knock 10 per cent off year-end gearing which had been forecast at around 85-90 per cent.

In return P&O will sacrifice 50 per cent of the operating profits from its containers business, which last year would have amounted to only \$14m. More importantly, the joint venture frees P&O from the high capital expenditure on containers - the new company is forecast to spend \$500m over the next three years on new ships - and

allows it to continue investing heavily in its better-performing businesses such as cruisers.

Although analysts increased profit forecasts for 1997 by \$30m to around \$400m, there were some worries that any cost savings from the containers merger might go into lower prices rather than into higher returns.

Moreover, P&O still has to resolve its other key strategic dilemma: what to do with its ferries business.

The consensus is, however, that Lord Sterling has done enough to remove the question mark over his own head. "He has shown that he can take decisive action and is not content just to sell off bits of property," said Mr Nick Anderson, analyst at James Capel.

Geoff Dyer

Analysts view deal as defensive move

In response to yesterday's merger announcement, Nedlloyd's share price closed sharply higher on the Amsterdam stock exchange, up \$1.600 to \$145.50. But Amsterdam share analysts remained cautious about the broader outlook for the ocean shipping market. Most saw the planned merger as defensive.

"Everyone is cutting costs," remarked Mr Roel Goochens of HSBG James Capel. "It may be possible to exploit synergies between the two groups' land and sea activities, but greater cargo volume will not automatically lead to higher profitability. Either a decline in shipping rates or an adverse exchange rate

fluctuation could easily wipe out any effects of improved efficiency."

Shifting of the container shipping operations into the joint venture will leave Nedlloyd with a European transport and distribution arm which generated \$1.8bn in first-half sales and an unchanged operating result of \$1.25m. In May, it agreed to join with P&O in a venture called North Sea Ferries, which operates vessels that ply the competitive cross-channel route.

Mr Haddo Meijer, Nedlloyd finance director, said that the group was planning to take a \$1.200m extraordinary charge against its 1996 results as a result of a write-down in the

value of container ships which are to be transferred to the joint venture.

This charge will cut deeply into the \$1.273m extraordinary gain recorded in the first half, which was generated primarily by the sale in April of its offshore oil-drilling subsidiary, Neddrill, to the Nobel Drilling Company of the US.

Mr Meijer nevertheless stressed that an earlier forecast - that Nedlloyd would not "find itself in a loss situation" from ordinary operations for the full year - was unchanged.

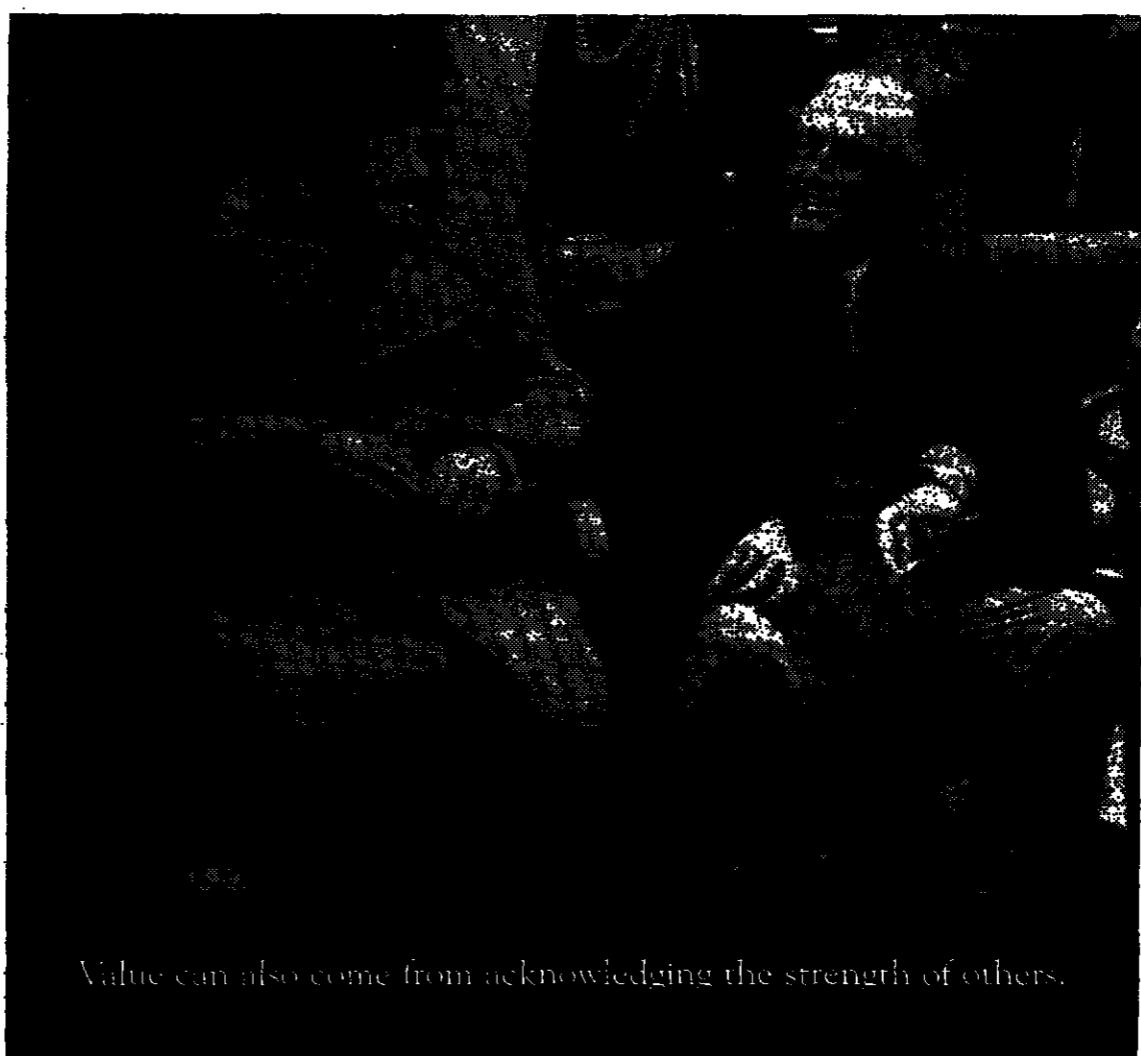
Nedlloyd's ocean shipping division reported an operating profit of \$1.8m for the first half, on sales of \$11.4bn, down from the \$1.45m achieved dur-

ing the same period a year earlier.

The comparison was complicated by earlier capital gains from ship sales. Nedlloyd reported a continued and substantial erosion in shipping rates, which it said was partly compensated by higher volumes, better cargo mix, and lower costs.

Mr Meijer said yesterday that the merger of the two groups' container operations will lead to further savings of at least \$300m in the first 18 months of operation - to be achieved by job cutbacks, reduced terminal costs, and enhanced logistical efficiency.

David Brown



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COMPANIES AND FINANCE: ASIA-PACIFIC

Kiwi International in voluntary liquidation

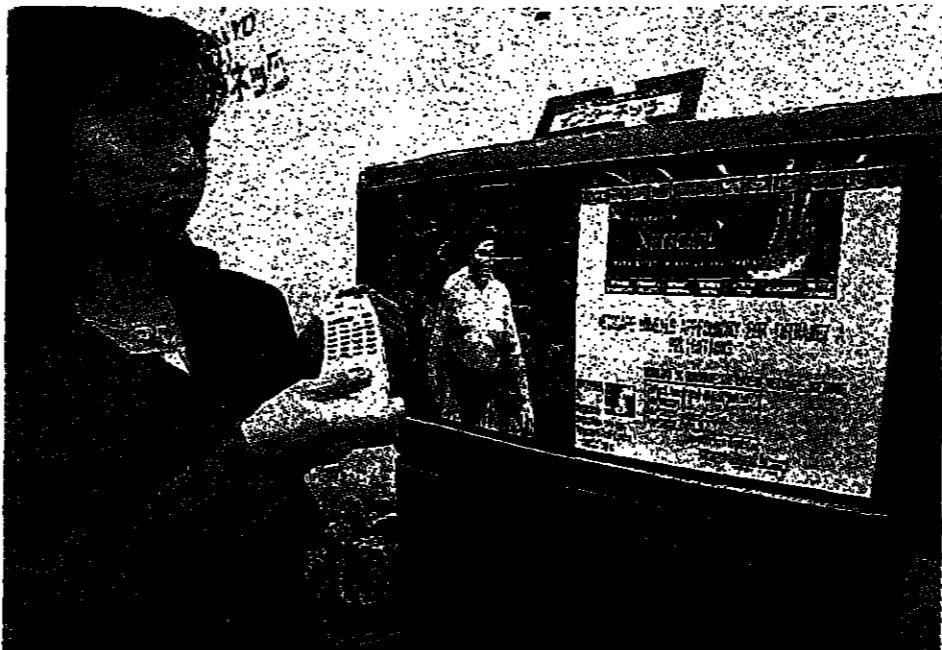
By Terry Hall in Wellington

Kiwi International Airways - the no-frills carrier set up to compete with Qantas and Air New Zealand in the cut-throat budget air travel market - yesterday went into voluntary liquidation, leaving passengers stranded in several Australasian cities.

son for its fall in profits in the latest financial year. Operating with two leased aircraft, Kiwi had run up to 30 flights a week between New Zealand and Australia, but was hurt by severe competition, mechanical faults and flight disruptions from the eruption of Mount Ruapehu volcano in the North Island.

debts. Legal issues to be examined included lease arrangements with Region Air, which Kiwi had last week threatened to sue for damages.

A TV set - with Internet



Two into one will go from next month, when Sanyo Electric, the Japanese electronics manufacturer, starts selling a new range of TV sets allowing Internet access.

The Internet. Users of the Y196,000 (\$1,833) sets will also be able to use the sets to exchange e-mail.

Earnings revive at Seven

By Nikki Tait in Sydney

Profits at Seven Network, the Australian commercial television network, have bounced back to A\$115.1m (\$92m) after tax in the year to end-June. The figure compares with just A\$41.3m in the previous 12 months.

already being put on news and current affairs. However, it also "remains committed to a... well-considered involvement" in pay-TV, and holds a small stake in the Optus Vision cable consortium.

The company covered the recent Olympics for Australia and also has rights to the 2000 and 2008 summer games and the 2002 and 2006 winter Olympics.

Irish join bid for Australian airports

Aer Rianta, the airport and duty-free centre operator which is owned by the Irish government, yesterday joined the list of bidders queuing up to buy the Australian airports which are due to be privatised.

According to Mr Hobbs, the consortium is interested in all three airports likely to be offered in the first tranche of sales - Melbourne, Brisbane, and Perth. The federal government is expected to start calling for expressions of interest for these properties within days, and a shortlist of potential bidders will then be drawn up in October.

Lane Crawford gives up lease

Hong Kong retailer Lane Crawford will be giving up its lease at Lane Crawford Place in Singapore on October 1, Mr David Lawrence, managing director of Marco Polo Developments, said yesterday.

Santos profits sharply ahead

Santos, the Australian oil company, yesterday announced a sharp jump in profits for the six months to end-June, at A\$98.6m (US\$70.6m) after tax. The result compared with A\$47.8m in the same period a year earlier.

Thai Farmers in Burma move

Thai Farmers Bank plans to launch a joint venture bank in Burma in six months as part of its regional expansion, making it the second Thai bank to do business in Burma.

Mitsubishi, Sega joint venture

Mitsubishi Electric, the Japanese electric machinery manufacturer, said it had established a joint venture with Sega Enterprises to provide game services via computer networks.

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Reporting Of The Transmission Services Scheme Results
The Transmission Services Scheme provides for the National Grid Company plc (NGC) with incentives to manage certain elements of the costs that arise as a result of the difference between actual generation dispatched on any particular day and the idealised day ahead forecast generation schedule.

FT/S&P-Actuaries world index changes

At its quarterly meeting held yesterday, the FT/S&P-Actuaries World Index Policy Committee agreed to add 19 new constituents and delete six in the United Kingdom and add six new constituents, and four new secondary lines, and to delete one constituent in Mexico with effect from October 1 1996.

WFP Group (Advertising, 475)
UK Deletions: APV (Machinery-Diversified, 563); Baird (William) (Textile Products, 412); Bilton (Real Estate, 151); Dawson International (Apparel, 411); Leung (John) (Construction, 613); Merchants Trust Equity Investment Trust, 181.

Contracts & Tenders
Danubius Szálloda és Gyógyüdülő Rt. won the open single-round tender for the site of an 85% ownership share in the Szálloda Rt., which has a nominal value of HUF 4,675 million.

LEGAL NOTICES
In the High Court No. 66871 of 1996
In the Matter of GWR GROUP PLC
AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before the Company Court Registrar at the Royal Court of Justice, Strand, London WC2C 2B1 on 18 September 1996.

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مكتبات العرب

COMPANIES AND FINANCE: THE AMERICAS

# Dell set to spark price war with server launch

By Louise Kehoe in San Francisco

Dell Computer yesterday introduced a new range of aggressively-priced server computers, which it predicted would spark a price war in the PC industry. Network servers, designed to link personal computers to networks, represent a relatively small segment of the PC market, with annual sales of about \$10.5bn worldwide. However, profit margins on these machines are generally far higher than those on standard desktop and notebook PCs.

Compaq Computer, Hewlett-Packard and IBM have been the big winners in the high-growth, high-margin PC server market. Dell's new servers, based on Intel's latest Pentium Pro microprocessors, are, however, about half the price of equivalent products from the market leaders, said Mr Michael Dell, Dell chairman and chief executive. Dell's server prices will start at \$3,799 for a single processor Pentium Pro server, which is about half the cost of a dual processor Pentium model with equivalent

performance from other manufacturers, he said. Mr Dell said he aimed to force industry-wide price reductions in the server segment, as the company did in the desktop PC market in the late 1990s and early 1990s by pricing its products well below those of its largest competitors. "The hardware and software are now in place with Pentium Pro microprocessor and Microsoft's Windows NT to make servers less costly, and this sets the stage for Dell to launch a profitable assault on the server market," he said.

Dell, which sells PCs direct to end-users via mail and telephone orders, will pass on savings from the declining costs of memory chips and disk drives, while maintaining profit margins above those for its other products, said Mr Dell. "This is the same approach we used to create a revolution in the desktop [PC] marketplace," he said. "The margins of the traditional companies in this business are going to be significantly under pressure as [a result of] Dell's aggressive actions," said Mr Dell.

Companies such as Compaq Computer derive between 50 per cent and 60 per cent of their profits from servers, although servers represent a much smaller portion of their overall PC business, he said. Dell's competitors "are able to use these server profits to subsidise their desktop and notebook businesses", said Mr Dell. As prices and profit margins decline in the PC server segment, pricing pressure will be reduced in the desktop PC market, benefiting Dell, he predicted.

NEWS DIGEST

## Canadian Pacific sells Marathon

Canadian Pacific, the transportation and resource group, is selling its fully-owned Marathon property unit to a joint venture between Oxford Properties and GE Capital, the global financial services arm of the General Electric, for C\$852m (US\$693.8m), including debt. Negotiations with Oxford and GE Capital have been continuing for months. In June, Marathon sold its US shopping centres for US\$315m and took write-downs of its total property portfolio. "Accelerating our property disposal programme was a top priority," said Mr David O'Brien, CanPac chairman. "We are focusing our resources on the central transportation, energy and hotel businesses." A new company is being set up by Oxford and GE Capital, with each holding 50 per cent. It will take over 12m sq ft of CanPac office and retail space in Toronto, Montreal, Ottawa, Quebec City and Calgary. Oxford will manage the properties and keep most of Marathon's staff. GE Capital will provide mortgage finance. The deal doubles the asset base of Oxford, which is controlled by Hong Kong's Burcon International.

Several key Marathon assets were excluded from the deal but are expected to be sold later. CanPac's restructuring is moving towards completion, although the rail unit still has to improve returns. Analysts expect CanPac to sell its 18 per cent interest in Laidlaw, the North American waste management and school bus group. Robert Gibbins, Montreal

## First Union buys fund group

First Union, the acquisitive North Carolina bank, has bought Keystone Investments, a Boston-based mutual fund manager, for about \$183m, in a deal which confirms the trend for banks to diversify into other financial services. It will also assume about \$106m of Keystone debt. Keystone, one of the best-known independent fund managers in the US, managed \$11.6bn in assets. The merger will give First Union 69 mutual funds worth a total of \$27bn, making it one of the largest fund management operations of any bank. First Union has made 66 acquisitions since 1985, bringing it to rank as the nation's sixth-largest bank. Apart from the extra funds, the bank said it had wanted Keystone's distribution network. It has more than 30,000 brokers across the US, and a small international sales network which makes it the largest US mutual fund manager in Japan. Commercial banks such as First Union, traditionally limited to a branch network in one state, can only build such networks by acquisition. John Authers, New York

## Derivatives exchanges link

The Chicago Board Options Exchange (CBOE), the Swiss Exchange (SWX) and the Options Clearing Corporation (OCC) have embarked on a strategic alliance, further reflecting the trend towards co-operation and linkages between the world's derivatives exchanges. The three organisations announced their intention to jointly develop, build and maintain a common platform for trading and clearing standard derivatives products on Friday. Software being developed by the Chicago-based OCC will be adapted to suit the requirements of the Swiss Options and Financial Futures Exchange (Soffex). The three parties also intend to license the common trading and clearing platform to third parties. Richard Lapper, London

## Goldman partner to retire

By Richard Waters in New York

Mr David Silfen, a joint head of Goldman Sachs's equities business and one of six people on the US investment bank's executive committee, said yesterday he would retire at the end of November.

The departure is the latest in a wave which has eaten into the ranks of Goldman's most senior partners over the past two years. The firm faced upheaval in early 1995 when a number of partners retired after turbulence in the financial markets.

Yesterday, Mr Silfen, 50, sought to distinguish his departure from those earlier moves. Rather than a decision made "during bad times", he said, his move was "a personal decision in the midst of a perfectly good environment". He said the worldwide equities business was Goldman's largest in terms of staff and revenues, and would show record revenues and profits in the fiscal year ending in November.

Mr Silfen said he had decided to retire to give himself more time for activities outside the bank, including philanthropic causes, but would remain a member of its risk and compensation committees. Mr Silfen joined Goldman 28 years ago, and has been a general partner since 1978. That makes him the bank's second-longest-serving general partner.

## Campbell Soup preens shaggy dog story

The US food group is looking to reorganise and expand its way into the ranks of the best

A dog, perhaps, is not the animal with which every company would wish to be compared, but the boss of Campbell Soup has adopted a dog show analogy to sum up the US food manufacturer's eye-brow-raising re-birth as a growth stock.

"This is best-in-class performance," said Mr David Johnson, chairman and chief executive, in an upbeat presentation to Wall Street analysts in New York last week. "Now it is time for best in show."

Back in the 1980s, Campbell Soup might justifiably have been described as a dog. Earnings were going nowhere, the share price was badly underperforming the market, and squabbling over the company's future had broken out among members of the Dorrance family, heirs of the founder, who still own 58 per cent of the stock. Things started to change in 1990 with the arrival of Mr Johnson from Gerber Products, the baby food company now owned by Sandoz of Switzerland. Since then, Campbell Soup's net profits have risen by a compound rate averaging 17 per cent a year; the stock price has tripled - and the Dorrance family has stopped squabbling.

That, says Mr Johnson, is just the beginning. "We are poised for breaking away from our competitors in the food industry," he told the

analysts, unveiling a package of measures intended to vault Campbell Soup into the ranks of the world's best-performing consumer goods companies, such as Coca-Cola and Gillette.

One of the main measures was a reorganisation - the third since Mr Johnson's arrival. Low-margin businesses with total annual sales of \$500m will be shed, and 650 jobs will go from the US workforce of about 25,000. This will bring a charge of \$160m to net profits in the quarter to September. Mr Johnson also announced the acquisition of Erasco, Germany's biggest soup company, from Grand Metropolitan of the UK, for \$210m; a \$2.5bn stock repurchase programme; a roll-out of new products; and a 30 per cent increase in the global advertising budget to \$200m over the next year.

On the face of it, Campbell Soup has a tough time ahead of it. Unlike more diversified food companies such as Nestlé and Heinz, it is heavily dependent on the US market, which accounts for two-thirds of sales; and about 40 per cent of its revenues come from the one product - soup.

instead of making meals at home, putting grocery sales under pressure.

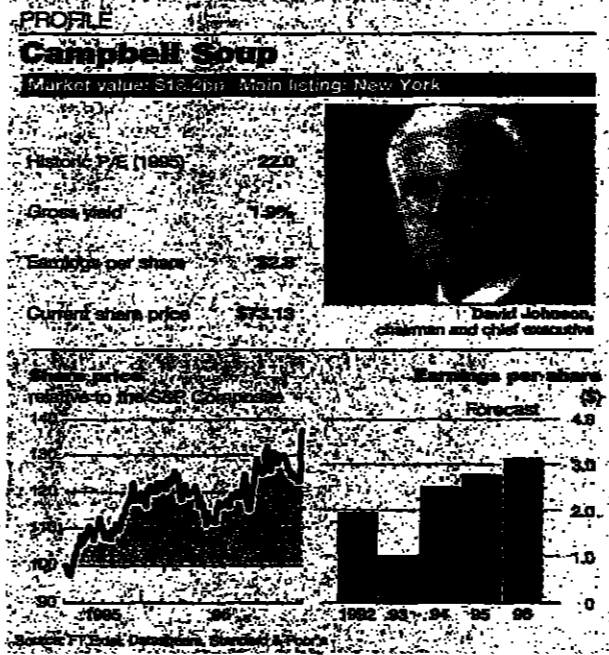
Under Mr Johnson, however, soup sales and profits have risen. There is no such thing as a mature market, Mr Johnson says - "only tired marketers". Campbell Soup has driven volumes by adding new flavours, improving recipes, and offering "healthy" soups with less salt and fat.

Even the classic red and white label on the soup cans, immortalised in the pop art works of Andy Warhol, has been updated - although the tomato soup label remains much the same. And symbolically, the company's time-honoured slogan "M'm! M'm! Good" has been changed to "M'm! M'm! Better!"

Campbell Soup has also been pushing up sales of its Pepperidge Farm biscuits and goldfish-shaped crackers, as well as its VS vegetable juice and Godiva chocolates. But another important part of its growth strategy has been acquisitions.

The company's biggest recent purchase came at the end of 1994 with the acquisition of Texas-based Pace Foods, the world's largest manufacturer of salsa and other Mexican-style hot sauces, for \$1.04bn.

Last week's agreement to buy Erasco will give the company leadership of the "biggest" soup



market outside the US. Australian-born Mr Johnson, who reputedly motivates his managers with a combination of messianic zeal and tough targets, told analysts that Campbell Soup expected to accelerate sales and earnings growth by building existing brands and buying additional ones - with funds generated by cost-savings helping to foot the bill. New products will include up-market soups sold in glass jars, frozen soups, and an upgraded canned pasta called Franco American Superiore. Extra advertising should also boost sales, and there will be geographic expansion - for example, through the launch of Pace's Mexican sauces in Germany. Some Wall Street analysts remain cautious over the outlook for the company, pointing to its heavy dependency on soup and its slightly disappointing rate of international growth. But by the end of the week in which Mr Johnson made his presentation in New York, the stock had leapt more than 8 per cent to a 52-week high of \$73 - an indication that some investors, at least, believe the company has the potential to become top dog.

Richard Tomkins

IKB: Financial Year 1995/96:

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Dr. Alexander A. Tippelskirch  
Speaker of the Board of  
Managing Directors  
IKB Deutsche Industriebank AG

The 1995/96 financial year was a successful year for IKB. Our operating income rose by 13.4% to DM 297 million and net income increased from DM 119.7 million to DM 135.9 million.

For these reasons the Annual General Meeting on 6 September 1996 once again voted to pay a DM 12 dividend per DM 50 share. The dividend yield is 6%.

Earnings per share, in accordance with the DVFA method, have risen from DM 15.31 to DM 16.22.

The Annual General Meeting decided to convert the par value of IKB shares from DM 50 to DM 5.

As at 31 March 1996 the balance sheet total amounted to DM 45 billion. Claims on customers represented 80% of total assets. The volume of new loans reached DM 8.3 billion (previous year: DM 7.8 billion). We were able to enhance the interest margin from 1.47% to 1.51%.

Net interest plus commission income advanced by 6.6%. The increase in administrative costs was limited to 5.1%. The cost-earnings ratio

of 34% is the lowest ever achieved in IKB history. Favourable business conditions have thus far continued in the new fiscal year with new loans of DM 3.6 billion.

Earnings and expenditures for the period April to July were:

|                      |         |
|----------------------|---------|
| Net interest income  | + 4.0 % |
| Administrative costs | + 3.7 % |
| Operating income     | + 4.6 % |

The steady growth of medium-sized companies in Germany is the basis of IKB's future success. Their investments and their capacity to innovate are essential for further expansion of the bank.

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Key figures from the consolidated accounts

|                          | 31 March 1996 | 31 March 1995 | Change in % |
|--------------------------|---------------|---------------|-------------|
|                          | in DM million | in DM million |             |
| Balance sheet total      | 44843         | 42910         | +5          |
| Claims on customers      | 35671         | 33065         | +8          |
| Liabilities to banks     | 19752         | 19122         | +3          |
| Liabilities to customers | 5287          | 5603          | -6          |
| Securitized liabilities  | 14598         | 13494         | +8          |
| Equity                   | 3482          | 3107          | +12         |
| Net interest income      | 658           | 615           | +7          |
| Administrative expenses  | 226           | 215           | +5          |
| Provisions for risk      | 153           | 160           | -5          |
| Operating income         | 297           | 262           | +13         |
| DVFA result              | DM 16.22      | DM 15.31      | +6          |

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## COMPANIES AND FINANCE: UK

Company left with negative shareholder funds after making last month's \$126m purchase

# Fairey puts brake on expansion policy

By Tim Burt

Fairey Group, the industrial electronics and specialist engineering company, has put a brake on its acquisitive expansion strategy after its latest bolt-on purchase left it with negative shareholder funds.

The company, which last month paid \$126m for Fusion UV Systems of the US, yesterday said it was unlikely to make further acquisitions until shareholder funds had been rebuilt.

Mr John Poulter, chief executive, described the move as a "slight pause" and insisted that the debt-funded acquisition of Fusion UV had not overstretched Fairey's balance sheet.

Fairey wrote off \$101m of goodwill on the deal, pushing its net borrowings up from £15.9m at the end of

last year to more than £88m. Nevertheless, Mr Poulter said interest cover exceeding 10 times showed the balance sheet remained fundamentally strong.

"We would not want to take on a lot more debt, but that's not a result of balance sheet weakness," he said. He was speaking after Fairey announced a 32 per cent increase in first-half pre-tax profits.

Maiden contributions from new subsidiaries in the electronics sector helped lift pre-tax profits from £16.2m to £21.3m, on increased sales of £118.4m (£94.1m) - including £15.6m from acquisitions in the six months to June 29.

Mr Poulter said the improvement was fuelled partly by Particle Measuring Systems, acquired in January for \$75m, and Loma Group, the detection equip-

ment manufacturer, which cost £18.2m last year.

First-time contributions from PMS and Loma helped lift profits in the electronics division from £10.9m to £15.8m, in spite of signs of weakening demand for semiconductor equipment.

By comparison, the electrical power division reported a relatively modest profits increase from £1.47m to £1.57m, while profits in the aerospace and defence division rose from £2.21m to £2.31m.

Mr Poulter, however, said that the filtration and specialised ceramics business had made excellent progress, reporting profits of £24.1m (£21.4m).

Earnings per share rose from 18p to 15.5p, and the group announced an increased interim dividend of 2.85p (2.55p) is declared.



Future directions: John Poulter (left) with Graham Zacharias, finance director

## British Polythene rises 24%

By Christopher Price

Acquisitions helped British Polythene Industries overcome competitive trading conditions in its domestic market and report a 24 per cent rise in half-year profits

Europe's biggest polythene film producer reported pre-tax profits up from £11.5m (£7.9m) to £14.5m on sales 15 per cent higher at £199m.

The company kept up its acquisitive policy of recent years, buying five small polythene manufacturers in the six months to June 30 at a cost of £13.3m.

It also announced four bolt-on acquisitions for £7.6m made so far in the second half, with a £1.5m provision to be taken for reorganisation.

Operating profits rose 29 per cent to £17.6m, despite volatile raw material costs and price resistance from supermarkets.

Net borrowings at the half year were £36m, and gearing 37 per cent.

## Intrum Justitia slowed down by buy-back costs

By George Graham, Banking Correspondent

Intrum Justitia, Europe's biggest debt collection agency, went back on the growth trail with a 25 per cent increase in operating profits to £8.45m (£5.2m) in the first six months of 1996.

But the cost of financing an acquisition in Finland and a £10m buy-back of its own shares dampened progress at the pre-tax level, where profits advanced from £7.35m to £8.16m.

Turnover grew by 23 per cent in the first half to £51.3m, with most of the expansion coming from organic growth, according to Mr Lars Rohrer, chief executive.

"Last year we tried to increase efficiency in the company by cost cutting. Now we have to go for organic growth and acquisitions," Mr Rohrer said.

After the integration of Tietoprinta, its new acquisition in Finland, opportunities for further purchases are limited.

"We are really trying but they are not that easy to find. There are not that many large companies that you can acquire," Mr Rohrer said.

Spain and France continued to pose problems. Mr Rohrer said the Spanish operation had now been modernised, and the market offered the most potential for growth in Europe. The French market has contracted, but Intrum is restructuring its operations and hopes to be back in profit there by the middle of next year.

Intrum's stock of debt collection cases rose by 13 per cent during the period to 3.8m at the end of June, with gross collection value up 31 per cent to £2.4bn.

Earnings per share rose from 4.8p to 5.8p. The interim gross dividend rises from 1.2p to 1.3p.

## A buoyant British Vita in search of acquisitions

By Simon Kuper

Shares in British Vita jumped 24 1/2p to 257 1/2p yesterday, as the foam and fibre group maintained its interim pre-tax profits at £26.4m (£21m), against expectations of a drop.

Most analysts had expected that slow markets in mainland Europe would reduce profits from the £26.2m recorded in the first half of 1995.

The group also signalled an acquisitions spree. Mr Robert McGee, chairman, said: "We are searching very hard for something major."

British Vita was less than 1 per cent geared, and even debt of £100m would take gearing only to 30 per cent.

Mr Jim Mercer, chief executive, said that for the group

to grow organically "in any meaningful way" in the US or continental Europe "would take forever".

However, Mr McGee said acquisition prices were high. "In the current trend of low inflation, where it is very difficult to get price increases, where after the recession most businesses are being efficiently run, you have to make sure you are not buying an already lean machine that then begins to erode."

The group planned further investment in eastern Europe to add to its plants in Poland. It aimed to sell to former republics of the Soviet Union, but would not invest in Russia, which he regarded as "far too turbulent".

British Vita noted "continuing weak demand" in mainland Europe, where sales were static at £282.5m, but said the economies were likely to improve.

The main aim was "relentless pursuit of margin improvement", raising pre-tax margins from the present 5.5 per cent towards their traditional 8-9 per cent.

Sales rose 5 per cent to £477.2m thanks to acquisitions. Operating profit on continuing businesses in the cellular polymers division, which accounts for more than half of sales, fell 15 per cent to £11.5m, while profits in corporate and other business dropped 38 per cent to £1.9m.

But profits were up in the industrial polymers and the fibres and fabrics divisions.

### CALL FOR TENDERS

FOR THE SALE OF THE ASSETS OF "HADJIATHANASSIADES BROS S.A.", OF ATHENS, GREECE

ETHNIKI KEPHALLEOU S.A., Administration of Assets and Liabilities, of 9a Chryssopoliotissis St., Athens Greece, in its capacity as Liquidator of "HADJIATHANASSIADES BROS SA" a company with its registered office in Athens, Greece, (the "Company"), presently under special liquidation according to the provisions of article 46a of Law 1892/1990, by virtue of Decision No. 3646/1996 of the Athens Court of Appeal, as modified by Decision 7589/1996 of the same Court

announces a call for tenders for the sale of the assets, as a single entity, of the company described below.

#### BRIEF INFORMATION

The Company was established in 1968. Its activities included the processing and marketing of whole tomatoes, tomato paste and tomato juice, fruit and vegetables, the processing and packaging of whole and granulated rice. The company was declared bankrupt in 1991, while it was placed under special liquidation on April 19th, 1996, on the basis of the above mentioned Court Decision, as subsequently modified.

#### ASSETS OFFERED FOR SALE

The assets offered for sale as a single entity, include a rice processing unit (rice mill), a peeled tomato, tomato paste and tomato juice production unit and a fruit and vegetable processing unit, located on a plot of land of approx. 55,931 sq.m., part of which is standing within the city planning area of the Community of Skoutoussa, Serres. The above units comprise several buildings the area of which amounts to approx. 29,000 sq.m., machinery and mechanical equipment. Both the rice and the fruit and vegetable plants are currently leased out.

The assets also include the "MAGIROS" rice trademark (leased out on a long term basis), the company's registered name and any such items as may be found to belong to the company.

OFFERING MEMORANDUM - FURTHER INFORMATION: Interested parties may obtain the Offering Memorandum in respect of the Company and its assets upon signing a Confidentiality Agreement.

#### TERMS AND CONDITIONS OF THE AUCTION

1. The Auction shall take place in accordance with the provisions of article 46a of Law 1892/1990 (as supplemented by article 14 of Law 2000/91 and subsequently amended), the terms and conditions set forth herein and the "Terms and Conditions of Sale" contained in the Offering Memorandum. Such provisions and other terms and conditions shall apply irrespective of whether they are mentioned herein or not. Submission of binding offers shall mean acceptance of such provisions and other terms and conditions.

2. Binding Offers: Interested parties are hereby invited to submit binding offers, not later than Monday, October 7th 1996, 12.00 hrs to the Athens Notary Public Mr. Evangelos Dracopoulos, 19 Voukouratou St. Athens Tel.: +30-1-36.21.128 and +30-1-36.15.732, Fax: +30-1-36.21.111.

Offers should expressly state the offered price and the detailed terms of payment (in cash or instalments, mentioning the number of instalments, the dates thereof and the proposed annual interest rate, if any). In the event of not specifying: a) the way of payment, b) whether the credited amount shall bear interest and c) the interest rate, then it shall respectively be deemed that a) the offered price is payable upon execution of the sale contract b) the amount credited shall bear no interest and c) the interest rate shall be the legal rate in force from time to time. In all cases where the credited amount bears interest, this shall be calculated in relation to the outstanding amount and shall be payable on the dates of payment of each instalment. Binding offers submitted later than the above date shall neither be accepted nor considered. The offers shall be binding until the adjudication. Submission of offers in favour of a third party to be nominated at a later stage shall be accepted under the condition that express mention is made in this respect upon submission and that the offeror shall give a personal guarantee in favour of such third party for the compliance of the obligations deriving from the sale contract.

3. Letters of Guarantee: Binding offers must be accompanied by a Letter of Guarantee issued in accordance with the sample Letter of Guarantee contained in the Offering Memorandum, by a bank

legally operating in Greece, to remain valid until the adjudication. The amount of the Letter of Guarantee must be valid until the adjudication. The amount of the Letter of Guarantee must be DRD. FORTY MILLION (40,000,000.-).

Letters of Guarantee shall be returned after the adjudication.

4. Submissions: Bidding offers together with the Letters of Guarantee shall be submitted in sealed opaque envelopes.

5. Envelopes containing the binding offers shall be unsealed by the above mentioned Notary Public in his office, on Monday, October 7th, 1996, 14.00 hours. Any party having duly submitted a binding offer shall be entitled to attend and sign the deed attesting the unsealing of the binding offers.

6. As highest bidder shall be considered the participant, whose offer will be judged by creditors representing over 51% of the claims against the Company (the "Creditors"), upon recommendation by the Liquidator, to be in the best interests of all of the creditors of the Company. For the purposes of evaluation, an offer to be paid in instalments shall be assessed on the basis of its present value to be calculated by employing a 19% annual discount interest rate, compounded yearly.

7. The Liquidator shall give written notice to the highest bidder to appear on the date and place mentioned therein and execute the contract of sale in accordance with the terms contained in his binding offer and/or any other improved terms, which may be suggested by the Creditors and agreed upon. In the event of the highest bidder not complying with such obligation, the Letter of Guarantee shall be forfeited as a penalty. Adjudication shall be deemed to take effect upon execution of the Contract of Sale.

8. All costs and expenses of any nature, including any tax (such as V.A.T.), duties, custom duties, any charges in favour of the state or third parties, which may need to be paid (other than those exempted by the applicable law) in respect of the participation in the Auction and the transfer of the assets offered hereby for sale, the sale contract, as well as any other act prior or subsequent to the transfer of assets shall be exclusively borne by the purchaser.

9. The Liquidator and the Creditors shall have no liability nor obligation whatsoever towards the participants in relation to the evaluation of the offers or the appointment of the highest bidder or any decision to repeat or cancel the Auction or any decision whatsoever in connection with the proceedings of the Auction. The Liquidator, the Company or the Creditors shall have no liability for any legal or actual defects of the assets. Submission of binding offers shall not create any right for this adjudication nor the participants shall acquire any right, power or claim from this Call and/or their participation in the Auction against the Liquidator and/or the Creditors for any reason whatsoever.

10. This Call has been drafted in Greek and translated into English. In any event, the Greek version shall prevail.

#### ANNOUNCEMENT BY A THIRD PARTY

The National Bank of Greece S.A. announces that tenders are invited for the purchase of 4 plots of land, corresponding to 3,000, 2,000, 4,000 and 2,502 sq.m. each, included in the area of the "HADJIATHANASSIADES BROS S.A." industrial complex, which are being sold as a single entity. Such tenders will be accepted only where interested parties also submit a tender for the purchase of the assets of the above mentioned company, as described above. The terms of sale, described in the relevant Sale Terms Bulletin, must be agreed to in writing by those submitting a tender.

Tenders shall be submitted not later than Monday, October 7th, 1996, 12.00 hours to the Athens Notary Public Mr. Evangelos Dracopoulos, at 19 Voukouratou Street, Athens. (Tel +30-1-36.21.128) and +30-1-36.15.732) upon written receipt. Please note that the present sale is not subject to the terms and conditions of art.46a of L.1892/90.

For more information and in order to obtain a copy of the Sale Terms Bulletin, please contact the National Bank of Greece, Real Estate Division 38, Sadiou Street, Athens, tel-33.45.919 (attention of Mrs.E. Giannakourou).

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**Sime Darby Berhad**  
 (Company No. 41759-M)  
**PRELIMINARY ANNOUNCEMENT**  
 HIGHLIGHTS OF UNAUDITED CONSOLIDATED RESULTS FOR THE YEAR ENDED 30TH JUNE 1996

|                        | 1996       | 1995    |
|------------------------|------------|---------|
|                        | RM Million |         |
| GROSS REVENUE          | 10,779.7   | 9,394.2 |
| PROFIT BEFORE TAXATION | 1,329.9    | 1,012.3 |
| EARNINGS               | 682.5      | 569.2   |
| EXTRAORDINARY ITEMS    | 10.1       | (42.1)  |
| Per share - sen        |            |         |
| EARNINGS               | 30.4       | 27.4    |
| GROSS DIVIDEND         | 21.0       | 21.0    |

Profit before taxation of RM1,329.9 million was 31% higher than that achieved in the previous year. Earnings of RM682.5 million represent a 20% increase over 1995.

The Directors have resolved that the shares in Sime Darby Berhad ("Company") will cease to be listed on the London Stock Exchange ("LSE") with effect from the close of business on 15th November 1996 and dealings in the Company's shares on the LSE will cease at the close of business on that date. Thereafter the Company's shares will be listed only on the Main Board of the Kuala Lumpur Stock Exchange. An information circular to shareholders will be issued in due course.

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 September 10, 1996

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COMPANIES AND FINANCE: UK

# Danka buys Kodak arm

By Geoff Dyer in London and Richard Waters in New York

Danka Business Systems is shortly to become the largest independent photocopier distributor in the world after it announced yesterday the \$684m acquisition of Kodak's distribution business. Shares in the highly-acquisitive office equipment supplier, which are listed in London and New York, rose 82% to 557p in London on the news of the deal, which also includes a long-term supply agreement with Kodak. Mr Mark Vaughan-Lee, chairman, said that the acquisition - which will triple Danka's sales - gave it access to the high-volume copier market. He said that was the fastest growing segment, and

that the purchase would also allow it to offer a complete range of products to customers. Analysts said that Danka, which is paying less than the businesses' net assets of \$200m and only 38 per cent of their \$1.8bn annual sales, had struck a good deal. The disposal will leave Kodak with a book loss of \$250m, and an unprofitable manufacturing business with revenues of around \$900m a year. Kodak is believed to have sought a buyer for the entire business after announcing plans to "reposition" the unit earlier this year, but without success. Yesterday, the US company sought to put a positive gloss on the partial disposal, which it said would meet its original objectives of reducing Kodak's overall

growth prospects and profit margins. Mr Carl Kohrt, assistant chief operating officer, added that Kodak planned to make the manufacturing division profitable by the end of 1996, and that its other commercial trading operations would benefit from its continued investment in research and development in the copier business. The deal is to be financed from a new \$1.2bn banking facility and will leave Danka with borrowings of over \$1bn. Under UK accounting rules the group has negligible net assets, although under US rules it has net assets of about \$500m. After the acquisition, Florida-based Danka will have revenues of \$4.5bn, a level that will leave it far behind Xerox, which generated rev-

enues of \$16.6bn last year. Mr Dan Doyle, chief executive, said Danka's aim was to grow its sales to \$6bn by March 2000. Danka's market share will still only be 6 per cent in the US, 4 per cent in continental Europe and 14 per cent in the UK, the group said. Fuelled by acquisition-led growth, including 50 separate purchases last year, shares in Danka have risen from 49p in September 1992. However they fell sharply in June this year when the group issued a profits warning due to higher than expected staff costs. Analysts repeated concerns yesterday about the rapid pace of the group's growth. However, they note the less raised forecasts for next year's pre-tax profits from \$114m to \$135m.

# BTR sells Taiwan plastics for £191m

By Ross Tieman

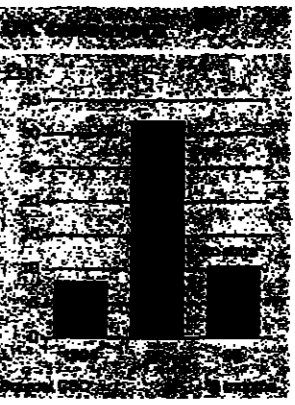
BTR yesterday completed the first phase of its disposal programme with the sale of its controlling share of three plastics joint ventures in Taiwan for \$300m. The disposal of BTR's effective 51 per cent interest in the three companies comes as the manufacturing conglomerate prepares to unveil a strategic redirection alongside its first-half results on Thursday. Mr Ian Strachan, the chief executive hired from the RTZ minerals group in January, is expected to reveal plans to refocus BTR on its core manufacturing vehicle parts and packaging, and sell more than £1bn of assets.

Withdrawing from the Taiwanese ventures brings proceeds from divestments this year to \$900m (£1.4bn). The disposal comes just five days after the sale of Tlloco, BTR's US roadstone business, for \$211m. BTR is selling a 51 per cent interest in Taifu Polymer and a similar stake in Asia Polymer. It is also selling a 51 per cent interest in China General Plastics. The buyer is a consortium comprising two Taiwanese plastics companies, Union Petrochemical and USI Far East Corporation, which will assume control. BTR will receive an initial \$120m, and two annual payments of \$90m. It will be obliged to charge a loss on the disposal of \$76m against its interim results.

# LEX COMMENT

## Takeover rules

The Takeover Panel's suggestion that marketmakers should disclose holdings above 1 per cent in bidders and their targets is a good one. Better quality information would help to create a level playing field during takeovers, benefiting all shareholders. It would also allay concerns that some marketmakers are using their current exemption from disclosure to build up stakes which help allied corporate financiers. Marketmakers will grumble that losing this exemption would make it more difficult for them to run their trading books. But after controversies during several recent bids, including Rentokil's takeover of B&T and Trafalgar House's offer for Northern Electric, it is hard to see them complaining with conviction.



In the Rentokil bid such a rule would have revealed that the marketmaking arm of SBC Warburg, one of Rentokil's brokers, had built up a 2.5 per cent stake in B&T. In the closing stages of the offer this stake was suddenly disclosed and sold on - only to end up with Rentokil. Just improving transparency, however, does not go far enough. If the panel really wants to stop any suspicion of collusion between a bank's marketmaking and corporate finance arms it should remove the exemption marketmakers have from being included in concert parties. This should apply to marketmakers connected to a bidder's or a target's advisers and to stakes above a nominal level. They would then have to abide by the same rules as the other members of a bidder's camp.

# BA considering partners for unit

By Michael Skapinker, Aerospace Correspondent

British Airways is considering inviting investors to take a minority stake in its engineering and maintenance business as part of its plan to find £1bn in savings over the next three years. BA is understood to want to retain control of its engineering business but sees its future as a separate entity bidding for work from other airlines. Work from other carriers accounts for about 20 per cent of BA's engineering and maintenance revenues. BA wants to increase this proportion to 30 or 40 per cent. BA does not disclose how much its engineering business earns. Turning its engineering activities into a separate company are part of BA's plans, at present under dis-

cession, to concentrate on its core activity of flying aircraft. Other activities could be turned over to outside contractors. The company has already contracted out activities such as cleaning and security and says quality has since improved in both areas. The airline will next week continue briefing employees over its cost-cutting plans, which it first announced in May. BA presented the plans in June to managers who were told to discuss them with their staff. BA will now consult more widely with all employees. BA yesterday dismissed speculation that its plans could result in the loss of 10,000 jobs. It is increasing employees by more than 2,000 a year. On March 31, the end of its financial year, BA had 55,300 employees, compared with 53,000 in 1995.

## RESULTS

| Company           | Period             | Turnover (£m)  | Pre-tax profit (£m) | EPS (£)      | Current payment (£) | Date of payment | Dividends (pence) | Total for year | Total last year |
|-------------------|--------------------|----------------|---------------------|--------------|---------------------|-----------------|-------------------|----------------|-----------------|
| Arnor             | Yr to May 3        | 37.8 (83.9)    | 2,721.4 (1.81)      | 8.21 (8.2)   | 1.58                | Jan 3           | 1.58              | 2.02           | 1,978           |
| ASW               | 6 mths to June 30  | 280.7 (831.6)  | 24.2 (80.8)         | 28.1 (37.2)  | -                   | -               | 3.3               | -              | 4               |
| Black (A&C)       | 6 mths to June 30  | 3.98 (8.81)    | 0.324 (0.281)       | 14 (11.2)    | 4.25                | Oct 22          | 4.25              | -              | 14              |
| British Polychem  | 6 mths to June 30  | 198.7 (172.9)  | 14.3 (11.5)         | 22.63 (22.3) | 6.25                | Nov 28          | 5.5               | -              | 15.5            |
| British Vils      | 6 mths to June 30  | 477.2 (468.7)  | 28.4 (25.2)         | 7.71 (7.7)   | 4                   | Nov 11          | 3.95              | -              | 7.95            |
| Calor             | 6 mths to June 30  | 182.8 (147.8)  | 25.4 (28.2)         | 11.8 (10.7)  | 6                   | Nov 8           | 6                 | -              | 12.5            |
| Canadian Pizza    | 6 mths to June 30  | 8.45 (8.88)    | 0.858 (0.81)        | 3.5 (2.5)    | 2.4                 | -               | 2.4               | -              | 4.8             |
| Cash Conversion   | Yr to June 30      | 15.83 (1.54)   | 0.51 (0.385)        | 4.08 (-)     | 2.8                 | Nov 15          | -                 | 3.9            | -               |
| Castle (CA)       | 6 mths to June 30  | 6.78 (6.88)    | 0.438 (0.438)       | 3.58 (3.57)  | 0.75                | Oct 15          | -                 | -              | -               |
| Debenhams         | 6 mths to July 12  | 147.8 (138.7)  | 11.1 (10.1)         | 5.88 (5.19)  | 1.15                | Nov 8           | 1                 | -              | 3.8             |
| Dewland & Mills   | Yr to June 30      | 119.9 (102.2)  | 12.9 (9.36)         | 4.87 (3.77)  | 1.9                 | Oct 31          | 1.75              | 2.98           | 2.75            |
| Esprit            | 6 mths to June 30  | 223.7 (104.5)  | 371.7 (484.2)       | 40.4 (32.1)  | -                   | -               | -                 | -              | 8               |
| Fabry             | 6 mths to June 30  | 116.4 (94.1)   | 21.3 (18.2)         | 15 (15)      | 2.85                | Nov 11          | 2.55              | -              | 8               |
| Fleetlist         | Yr to June 30      | 107.9 (98.1)   | 8.55 (7.19)         | 17.81 (15.3) | 4.5                 | Oct 22          | 3.7               | 6.4            | 5.4             |
| Flex              | 6 mths to June 30  | 10.7 (4.19)    | 0.717 (0.363)       | 2.8 (1.8)    | 0                   | -               | 0                 | -              | 0               |
| Fort Paris        | 6 mths to June 30  | 41.1 (18.1)    | 10.3 (7.07)         | 18 (14.4)    | 4                   | Nov 7           | 3.8               | -              | 11.5            |
| Hammerson         | 6 mths to June 30  | 84.5 (83.8)    | 32.1 (35.4)         | 8.2 (7.4)    | 3.7                 | Nov 13          | 3.5               | -              | 10.65           |
| Household Names   | 6 mths to June 30  | 18.7 (14.3)    | 0.507 (0.884)       | 3.4 (5.78)   | 2.6                 | Oct 10          | 2.5               | -              | 5.5             |
| How               | 6 mths to June 30  | 83.9 (83.5)    | 0.881 (0.175)       | 1.23 (0.45)  | 0.5                 | Nov 29          | 0.575             | -              | 1.125           |
| Intrins Justice   | 6 mths to June 30  | 51.3 (41.8)    | 8.18 (7.35)         | 5.8 (4.8)    | 1.95                | Nov 1           | 1.25              | -              | 3.65            |
| Manfield (John)   | 6 mths to June 30  | 5.46 (4.57)    | 0.123 (0.163)       | 0.15 (0.18)  | -                   | -               | -                 | -              | -               |
| Lawson            | 6 mths to June 30  | 3.88 (3.43)    | 0.125 (0.048)       | 0.4 (0.1)    | -                   | -               | -                 | -              | -               |
| Master-USA        | 24 weeks to Jan 14 | 64.9 (58.5)    | 5.921 (2.84)        | 9.11 (2.41)  | 1.27                | Oct 25          | 1.15              | -              | 3.15            |
| Parkside Foods    | 6 mths to June 30  | 241.8 (228.5)  | 11.1 (10.4)         | 4.1 (3.9)    | 1.75                | Nov 15          | 1.75              | -              | 4.5             |
| Polyplex          | Yr to June 30      | 208.7 (191.4)  | 28.5 (25.5)         | 11.9 (10.75) | 2.14                | Nov 27          | 1.95              | 2.97           | 2.95            |
| Replay            | 6 mths to June 30  | 590.2 (540.3)  | 29 (28.1)           | 3 (2.7)      | 1.5                 | Nov 1           | 1.5               | -              | 3.8             |
| TT                | 6 mths to June 30  | 285.7 (231.4)  | 22.3 (18.7)         | 9.8 (8.1)    | 2.8                 | Oct 24          | 2.44              | -              | 6.52            |
| Viac              | 6 mths to June 30  | 75.3 (69.3)    | 18 (13.9)           | 28.3 (24.8)  | 3.2                 | Jan 2           | 2.8               | -              | 3.1             |
| Waterford Foods   | 6 mths to June 30  | 540.4 (522.8)  | 10.6 (11.1)         | 3.38 (3.38)  | 1.38                | Oct 25          | 1.3               | -              | 3.1             |
| Wilson Bowden     | 6 mths to June 30  | 147.3 (112.7)  | 17.3 (17)           | 12.3 (12.1)  | -                   | Nov 8           | 2.86              | -              | 10.05           |
| Investment Trusts |                    |                |                     |              |                     |                 |                   |                |                 |
| City of London    | Yr to June 30      | 166.82 (148.9) | 13.4 (11.7)         | 6.47 (5.71)  | 1.54                | -               | 1.42              | 5.8            | 5.35            |

# TT Group to set up car component plant in US

By Ross Tieman

TT Group yesterday unveiled plans to set up a car components plant in the US, alongside pre-tax profits up 22 per cent to \$22.8m (\$35.6m) for the first half of 1996. The factory will supply sensors to car assembly plants in South Carolina run by Mercedes and BMW. Electronic components, for use in the automotive and other industries, continued to account for more than

half operating profits at the acquisitive conglomerate run by former Hanson lieutenant Mr John Newman. A 25 per cent rise in operating profits in the electronics division, to \$18.5m, was achieved despite destocking by customers serving the computer industry. The biggest improvement, however, came from the industrial division, where operating profits rose 34 per cent to \$4.68m. Small in-fill acquisitions were used to strengthen

reinforce the company's packaging division, although profits there rose by just 10.4 per cent, to \$5.5m. By the end of June, the company had \$24.5m of surplus cash to underwrite its next acquisition. "We are always looking at things," Mr Newman said. Overall, sales rose by 15 per cent to \$267m. The company announced a matching rise in the half-year dividend, to 2.8p, payable from earnings per share of 9.6p (8.1p).


# Calor seeks growth abroad

By Patrick Harverson

Calor Group, the bottled and bulk gas supplier, is planning to broaden its overseas investment programme to take advantage of opportunities in South America, India and east Asia. Unveiling a decline in first half pre-tax profits from \$26.2m (\$41m) to \$25m, Calor said it had already invested \$42m in overseas projects this year.

Mr John Harris, chief executive, said it was unlikely that more money would be made available for overseas investment - a total of \$94m was set aside at the beginning of the year - but the "pace and depth" of spending might be extended. This would mean Calor investing in another "four or five" countries, to supplement recent investment in India, Brazil, the Philippines, China and Thailand.

The importance to Calor of expanding outside its home market was underlined by the interim results, which showed that after taking a previously announced \$14m provision for restructuring its British LPG business, operating profit was down sharply at \$18.7m (\$22.5m). A \$18.2m gain from the sale of its stake in Pangas, an eastern European gas joint venture, restricted the decline at the pre-tax level.




## HIGHLIGHTS

FROM THE INTERIM RESULTS TO 30 JUNE 1996

|                    |       |
|--------------------|-------|
| Turnover           | £477m |
| Profit before tax  | £26m  |
| Earnings per share | 7.7p  |
| Dividend per share | 4.0p  |

- Good recovery from 2nd Half 1995
- Concentration on operational margins
- Strong Cash Flow at business level

BRITISH VITA PLC, MIDDLETON, MANCHESTER M24 2DB  
Telephone: 0161-643 1133. Fax: 0161-653 5411.  
Copies of the Interim Report can be obtained from the Company Secretary




# LEICA

## The Legend of Leica

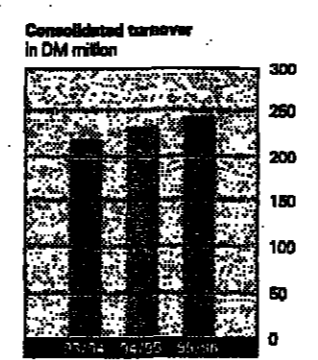
# "Time for your Leica!"

Unconditional striving for the highest possible quality, undisputed status of a global brand with an image of excellence, and carefully considered corporate strategies in all fields that are relevant to success - this unique combination of strengths determines our day-to-day activity as well as our future prospects.

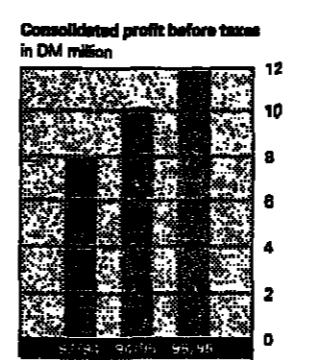


The new Leica - a sensation of the photokina Trade Fair

Consolidated turnover in DM million



Consolidated profit before taxes in DM million



Leica Camera AG · Oster-Berneck-Strasse 11 · 35506 Solms (Germany)

INTERNATIONAL CAPITAL MARKETS

EIB and TVA to launch back-to-back deal

By Richard Lapper and Joel Kibazo

The European Investment Bank (EIB) and the Tennessee Valley Authority (TVA)...

and only its third international issue, while the EIB is expected to raise \$1bn with its first ever global...

INTERNATIONAL BONDS

Only 4 per cent of the EIB's outstanding borrowing is in dollars...

Spreads on two dollar global issues launched in recent weeks for the World Bank and Canada have tightened in the secondary market...

The relative scarcity of 10-year D-Mark paper is also likely to enhance the popularity of the TVA issue...

Syndicate managers said both issuers would obtain better terms through the swap than they would through issuing in a more conventional manner...

Syndicate managers said investors had been encouraged by reports that South Korea is optimistic about its chances of entering the OECD later this year...

Elsewhere, a 3 1/2-year L150bn deal for Abbey National Treasury Services, the UK bank's funding arm, and a \$200m issue for KfW International Finance...

New international bond issues

Table with columns: Issuer, Amount, Coupon, Price, Maturity, Fees, Spread, Book-runner. Lists various international bond issues from EIB, TVA, and others.

First section, non-callable issues. Yield spread over relevant government bond at launch (indicated by lead manager)...

Credito Italiano was the first lira-denominated international bond since July 11. Priced at 43 basis points over the Italian curve...

Syndicate managers at EIBW said the decision to launch a \$200m seven-year bond for KfW partially reflected the success of a Swedish starting issue last week...

Demand for a \$200m 10-year issue from the African Development Bank (ADB) with a 6.5 per cent coupon was well above expectations...

Russian shares in limelight after summer rally

By Sameer Iskander

This summer's rally in Russian equities, combined with the steadily growing appetite for emerging market investments...

EMERGING MARKETS

In the past three months the Moscow Times Index has gained around 30 per cent in US dollar terms...

There are now almost 100 offshore funds targeting Russia and the former Soviet republics...

Shimoda has recently decided to relaunch the Russia Renaissance Fund - created late last year then frozen due to political uncertainty...

Baring Asset Management, meanwhile, has created its own regional fund, 20 per cent of which will be invested in Russia...

Foreign & Colonial Emerging Markets is launching a dollar-denominated Luxembourg SICAV fund aiming to invest in Russian equities...

Russia has huge unrealised potential, said Ms Isabel Knight, the manager of Foreign & Colonial Russian Investment Company...

Mr David Mapley, who manages Shimoda's fund, agrees. They both believe the valuation of Russian companies' assets is cheap by international standards...

The local stock market is undervalued, because investors prefer American Depository Receipts, said Ms Lina Takla, Eastern Europe economist at West Merchant Bank...

Ms Knight is bullish on the Moscow Times Index, which she predicts "will benefit most from an expected pick-up in economic growth"...

Economic growth should also favour consumer industries, says Mr Mapley, who is also bullish on oil and gas, and mining - traditionally strong areas of the economy...

Direct foreign investment in Russia since the start of the decade has amounted to between \$4bn and \$5bn, according to Mr Mapley...

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Russia has huge unrealised potential, said Ms Isabel Knight, the manager of Foreign & Colonial Russian Investment Company...

Peripheral markets favoured by dollar's strength

By Sameer Iskander in London and Lisa Bransten in New York

European bonds traded quietly yesterday, mainly driven by US Treasuries. The dollar's strength favoured peripheral markets by boosting their currencies against the D-Mark...

Italian bonds rallied sharply while the lira strengthened to a two-month high of less than L1,008 against the D-Mark...

Analysts still believe gilts offer good value, but some warn that the political backdrop, with a general election approaching, is weighing on the market...

GOVERNMENT BONDS

Data released yesterday showed producer price inflation remained subdued in August. Inflation looks set to remain low for some time...

UK gilts remained weak in relative terms, their 10-year yield spread stable at more than 170 basis points over German bunds...

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high of less than L1,008 against the D-Mark. Life's December BTP future settled 0.48 higher at 116.30.

In the cash market, the 10-year yield spread of BTPs over bunds narrowed by 7 basis points to 304 points, down from 317 points a week ago...

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WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

Table with columns: Country, Coupon, Red Date, Price, Day's Change, Yield, Week's Change, Month's Change. Lists benchmark government bonds for Australia, Belgium, Denmark, France, Germany, Italy, Japan, Netherlands, Portugal, Spain, Sweden, UK, and US Treasury.

US INTEREST RATES

Table with columns: Instrument, Rate, Change. Lists US interest rates for Treasury Bills and Bond Yields.

BOND FUTURES AND OPTIONS

FRANCE

NOTIONAL FRENCH BOND FUTURES (MATF) FRS50,000

Table with columns: Open, Settle, Change, High, Low, Est. vol., Open Int. Lists French bond futures and options.

LONG TERM FRENCH BOND OPTIONS (MATF)

Table with columns: Strike, Price, Call/Put, Dec, Mar, Jun, Sep, Dec, Mar, Jun, Sep. Lists French bond options.

GERMANY

NOTIONAL GERMAN BOND FUTURES (LIEF) DM250,000 100ths of 100%

Table with columns: Open, Settle, Change, High, Low, Est. vol., Open Int. Lists German bond futures and options.

UK GILTS PRICES

Table with columns: Instrument, Price, Yield, Change. Lists UK gilt prices.

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BOND FUTURES OPTIONS (LIEF) DM250,000 points of 100%

Table with columns: Strike, Price, Call/Put, Dec, Mar, Jun, Sep, Dec, Mar, Jun, Sep. Lists German bond options.

ITALY

NOTIONAL ITALIAN GOVT. BOND (STP) FUTURES (LIEF) Lit 200m 100ths of 100%

Table with columns: Open, Settle, Change, High, Low, Est. vol., Open Int. Lists Italian bond futures and options.

ITALIAN GOVT. BOND (STP) FUTURES OPTIONS (LIEF) Lit200m 100ths of 100%

Table with columns: Strike, Price, Call/Put, Dec, Mar, Jun, Sep, Dec, Mar, Jun, Sep. Lists Italian bond options.

SPAIN

NOTIONAL SPANISH BOND FUTURES (MEFF)

Table with columns: Open, Settle, Change, High, Low, Est. vol., Open Int. Lists Spanish bond futures and options.

NOTIONAL UK GILT FUTURES (LIEF) £50,000 32nds of 100%

Table with columns: Open, Settle, Change, High, Low, Est. vol., Open Int. Lists UK gilt futures and options.

LONG GILT FUTURES OPTIONS (LIEF) £50,000 64ths of 100%

Table with columns: Strike, Price, Call/Put, Dec, Mar, Jun, Sep, Dec, Mar, Jun, Sep. Lists UK gilt options.

EURO

NOTIONAL EURO BOND FUTURES (MATF) €100,000

Table with columns: Open, Settle, Change, High, Low, Est. vol., Open Int. Lists Euro bond futures and options.

US

NOTIONAL US TREASURY BOND FUTURES (CBT) \$100,000 32nds of 100%

Table with columns: Open, Settle, Change, High, Low, Est. vol., Open Int. Lists US Treasury bond futures and options.

JAPAN

NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIEF) ¥100m 100ths of 100%

Table with columns: Open, Settle, Change, High, Low, Est. vol., Open Int. Lists Japanese bond futures and options.

Other Fixed Interest

Table with columns: Instrument, Price, Yield, Change. Lists other fixed interest instruments.

FT-ACTUARIES FIXED INTEREST INDICES

Table with columns: Index, Price Index, UK Gilt, Mon, Sep, Day's % Change, Fri, Accrued, x1 adj., x10 adj., x100 adj. Lists fixed interest indices.

FT FIXED INTEREST INDICES

Table with columns: Index, Sep 9, Sep 8, Sep 5, Sep 4, Sep 3, Yr ago, High, Low. Lists fixed interest indices.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on September 9.

Table with columns: Issued, Bid, Offer, Cdn Yield, US Dollar, UK Gilt, Euro, Yen, Other. Lists international bonds.

Table with columns: Issued, Bid, Offer, Cdn Yield, US Dollar, UK Gilt, Euro, Yen, Other. Lists international bonds.

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Table with columns: Issued, Bid, Offer, Cdn Yield, US Dollar, UK Gilt, Euro, Yen, Other. Lists international bonds.

GILT EDGED ACTIVITY INDICES

Table with columns: Index, Sep 9, Sep 8, Sep 5, Sep 4, Sep 3, Yr ago, High, Low. Lists gilt edged activity indices.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on September 9.

Table with columns: Issued, Bid, Offer, Cdn Yield, US Dollar, UK Gilt, Euro, Yen, Other. Lists international bonds.

Table with columns: Issued, Bid, Offer, Cdn Yield, US Dollar, UK Gilt, Euro, Yen, Other. Lists international bonds.

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COMMODITIES AND AGRICULTURE

Big rise in silver production forecast

By Kenneth Gooding, Mining Correspondent

Mexico, already the world's biggest silver producer, is set to lead the way towards a big rise in global silver output in the next four years, according to the latest survey by the Washington-based Silver Institute. It sees world silver production increasing by 18.6 per cent from the 1996 level to 541.4m troy ounces in 1999.

Table with 5 columns: Country, 1996, 1997, 1998, 1999. Rows include Mexico, Peru, US, CIS, Canada.

Production is expected to rise by 97 per cent in Australia's annual silver output, to 58.3m ounces in 1999 - lifting it from seventh to third place - is more solidly based, however. That country's production will be boosted by BHP's A\$450m

decline in the early 1990s, the tide turned last year as silver producers anticipated higher prices for their product. Following a 6 per cent rise to 468.4m ounces last year, global output is expected to expand by 2 per cent this year, by 4 per cent in 1997, by 5 per cent in 1998 and by 3 per cent in 1999. Only two countries are forecasting falls in silver output in the next four years - Indonesia and Brazil.

World silver production forecast 1996-1999: US\$55 from the Silver Institute, 1112, 16th Street NW, Suite 240, Washington, DC 20036.

India's Kochi pepper market looks to futures

By Kunal Bose in Kochi

The proposed international pepper exchange at Kochi in the south Indian state of Kerala will start functioning early next year. The Indian Pepper and Spices Trade Association, which has been running Indian pepper futures trading at Kochi since 1987 is upgrading the facilities of the local exchange so that the switch to global trading in the commodity can go without any hitches.

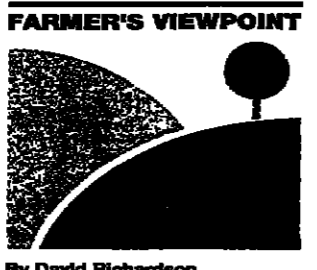
are not inconvenienced." A working group consisting of representatives of the member countries of the International Pepper Community has also insisted that a "foolproof system" be in place before the exchange starts functioning. Mr V. Jayashankar, chairman of Indian Spices Board, said that the exchange authorities were confident of getting all the necessary approvals from the Reserve Bank, Securities & Exchange Board and the Union Ministry of Civil Supplies well before the global futures trading in pepper started.

shelf-life should underpin the exchange's chances of succeeding. "Pepper is of major interest to many global commodity traders. Almost all of them have told us that they will operate on the Kochi exchange. They want the assurance that the exchange will have an efficient infrastructure," he said. world production of pepper is around 200,000 tonnes, of which 80 per cent is traded on the export market. It is estimated that the value of global trade in pepper is around \$250m a year. The two major exporters of the commodity are Indonesia and India.

Good times end for UK potato growers

Prices are 40 per cent below last year's levels and 50 per cent below 1994's

A few crocodile tears may be shed for potato growers this autumn as they struggle to sell their crops at a profit and some are forced to put off replanting their luxury, winter wheat. Range Rovers. But that will be the limit of farming industry sympathy for a sector that has enjoyed two magnificently rewarding years.



By David Richardson

less than 15 per cent of the national crop has so far been lifted - it is difficult to make an accurate assessment of the national yield. It is impossible to be sure, for instance, that autumn weather will allow the entire crop to be harvested. Nevertheless, there is a perception in the trade that supply will exceed demand and that is the sentiment ruling prices.

Two main factors are contributing to that perception: First, in the absence of PMB quota restrictions there have been expansions in planted area in each of the past two years. The board's guideline area for 1996 was 146,000 ha, but it estimates that 152,500 ha was actually planted; and some other commentators believe the figure is higher.

like potatoes, need substantial quantities of rain or irrigation to produce optimum yields. Both need good quality land and they are often grown on the same farms in East Anglia and the West Midlands. As potatoes are greater profit-potential, however, sugar-beet is seldom given the benefit of added water, and in this exceptionally dry year crops suffered serious damage before heavy rains in August saved them from disaster.

According to the Potato Marketing Board the average British price for bagged potatoes last week was £69 a tonne and falling. A year ago it was £120 and rising, and it stayed above £120 until the following June. Two years ago the price was double the present level and holding steady; that crop peaked the following June at £260 a tonne.

reports of small unirrigated second early potatoes selling for as little as £30 a tonne. At such a price, for what must have been poor yielding crops, growers will have made thumping losses. As with many other crops in this year of drought, potato yields have been variable. For unirrigated crops grown on sandy soils early results have been as low as 25 tonnes a hectare; those that have been regularly watered have produced as much as 65 tonnes a hectare. And, almost invariably, the better yields have been accompanied by better quality.

At this early stage in the potato harvesting season - with many people turning to pasta or rice. It will not be easy to regain that business, even though potato prices will be lower and availability better this year. Another possible factor depressing potato prices is "mad cow disease". Frozen chip manufacturers are in the habit of storing their processed product in hired cold stores. But this year, apparently, they are having difficulty finding sufficient space because of competition from stocks of beef bought under the European Union intervention programme to support the depressed market.

Most EU countries, including The Netherlands, increased potato plantings this year; and with most suffering less from drought than Britain did crop potential is believed to be generally good. So it seems extremely likely that significant tonnages of continental potatoes will be seeking a market in the UK in the coming months. The ability of the other main root crop grown in the UK seems almost enviable in comparison. Sugar-beets,

The rains came to late to enable beet crops to recover fully, however, and British Sugar, the monopoly processor of the whole British crop, estimates that there will be only an "average" yield. But with sugar beet, growers are controlled by a strict system of EU quotas and they know before they plant what price they will receive, given certain quality standards. It may not be as exciting as gambling on making the occasional fortune from potatoes; but it is much more certain. Always provided that there is enough rain at some time during the summer to grow reasonable crops.

Newcrest wins approval for \$350m NSW gold mine

By Nikid Tait in Sydney

Newcrest, the Australian gold mining company, yesterday won formal approval from the New South Wales state government for development of its A\$411m (US\$350m) Cadia gold mine, near Orange.

situated near Gladstone, and is estimated to contain 27m barrels of oil resources of 27m barrels. The current joint venture at South Pacific Petroleum and Central Pacific Minerals, but news that the much larger and more experienced Suncor was joining the project prompted wave of excitement late last year. The government approvals will allow Suncor to take a 50 per cent stake in the project, with the remainder being split between SFP and CPM, and to take an joint interest in the two oil ventures in the Stuart oil shale deposit in Queensland - an industry that does not currently exist in Australia. The deposit is

of gold production to over 1m troy ounces by the end of 1998. The company sold 584,154 ounces of gold in the year to end June. Production from the Cadia mine alone is estimated to average around 293,000 ounces of gold and 23,000 tonnes of copper metal annually over the mine's 12-year life. The operating cost, net of copper credits, is forecast to be around \$90 an ounce. Suncor, the Canadian oil company, has gained government approval for its planned investment in the Stuart oil shale deposit in Queensland - an industry that does not currently exist in Australia. The deposit is

COMMODITIES PRICES

BASE METALS

Table with columns: Metal, Price, Change. Rows include Aluminum, Zinc, Lead, Tin.

Precious Metals continued

Table with columns: Metal, Price, Change. Rows include Gold, Silver, Platinum, Palladium.

GRAINS AND OIL SEEDS

Table with columns: Commodity, Price, Change. Rows include Wheat, Corn, Soybeans, Maize.

SOFTS

Table with columns: Commodity, Price, Change. Rows include Cocoa, Coffee, Sugar.

MEAT AND LIVESTOCK

Table with columns: Commodity, Price, Change. Rows include Live Cattle, Live Hogs, Pork Bellies.

ENERGY

Table with columns: Commodity, Price, Change. Rows include Crude Oil, Heating Oil, Natural Gas.

PRECIOUS METALS

Table with columns: Metal, Price, Change. Rows include Gold, Silver, Platinum, Palladium.

FUTURES DATA

Table with columns: Commodity, Price, Change. Rows include Wheat, Corn, Soybeans, Maize.

INDICES

Table with columns: Index, Price, Change. Rows include S&P 500, Nikkei, DAX.

LONDON TRADED OPTIONS

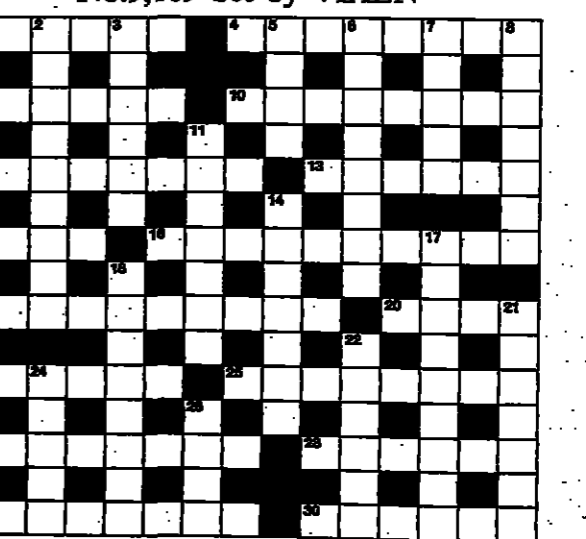
Table with columns: Commodity, Price, Change. Rows include Aluminum, Copper, Coffee, Sugar.

JOTTER PAD

Table with columns: Date, Price, Change. Rows include various commodities.

CROSSWORD

No.9,169 Set by VIXEN



- 1 A monstrous woman, but she'll ensure a lot of progress (7)
2 Unmounted? No comment (5)
3 Poor artist, hard-pressed (6)
4 Capital investment of a Red organisation (8)
5 Pass cold drink to gain applause (5)
6 Welsh knitwear (6)
7 Dined at the back of the hotel, as is natural (6)
8 Vegetation browsing animals will turn over (4)
9 Foreigners carrying cash - could be criminals (10)
10 The person responsible for the mail tree stamps off (10)
11 Very early bird - with point (4)
12 Just about making St Malo (6)
13 Remains in pain, so hiding away (5)
14 Bleating for real reform (5)
15 Destroy a few in a temper (6)
16 Handed over without protest (8)
17 Take offence at being asked to leave again (6)
18 A man of some authority put in charge in advance (7)
19 Unmounted? No comment (5)
20 Poor artist, hard-pressed (6)
21 Stray animal with nothing inside it (4)
22 Such jocularity may be distressing for the elderly (8)
23 A woman graduate speaking a letter (5)
24 A way to get into underwear that's most stupendous (7)
25 Grandeur might well elicit a wisecrack in spring (7)
26 Get out, given aid, and create work (9)
27 Breaking up can be really good (6)
28 The senior magistrate preparing a report (7)
29 Pay no attention to scamp (7)
30 Quivering like a fish (6)
31 Short dash (5)
32 Squander money when in low spirits (4)

معلومات السوق





Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 673 4576 for more details.

Main table containing fund names, prices, and performance data. Includes sections for Luxembourg (Regulated), Offshore Funds, and Insurances.

Handwritten text at the bottom center: 'مكتبة المصلح'

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

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Table of FT Managed Funds Service listing various fund names, their performance metrics, and other details.

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OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

LONDON SHARE SERVICE

|   |   |  |  |  |  |
|---|---|--|--|--|--|
| <b>ALCOHOLIC BEVERAGES</b><br>...<br><b>BANKS, MERCHANT</b><br>...<br><b>BANKS, RETAIL</b><br>...<br><b>BREWERIES, PUBS &amp; REST</b><br>...<br><b>BUILDING &amp; CONSTRUCTION</b><br>...<br><b>BUILDING MATS. &amp; MERCHANTS</b><br>...<br><b>CHEMICALS</b><br>... | <b>CHEMICALS - Cont.</b><br>...<br><b>DISTRIBUTORS</b><br>...<br><b>DIVERSIFIED INDUSTRIALS</b><br>...<br><b>ELECTRICITY</b><br>...<br><b>ELECTRONIC &amp; ELECTRICAL SOFT</b><br>...<br><b>ENGINEERING, VEHICLES</b><br>...<br><b>EXTRACTIVE INDUSTRIES</b><br>... | <b>ELECTRONIC &amp; ELECTRICAL SOFT - Cont.</b><br>...<br><b>ENGINEERING</b><br>...<br><b>ENGINEERING, VEHICLES</b><br>...<br><b>EXTRACTIVE INDUSTRIES - Cont.</b><br>...<br><b>EXTRACTIVE INDUSTRIES</b><br>...<br><b>ENGINEERING, VEHICLES</b><br>...<br><b>EXTRACTIVE INDUSTRIES</b><br>... | <b>HOUSEHOLD GOODS - Cont.</b><br>...<br><b>INSURANCE</b><br>...<br><b>INVESTMENT TRUSTS</b><br>...<br><b>INVESTMENT TRUSTS - Cont.</b><br>...<br><b>INVESTMENT TRUSTS</b><br>...<br><b>INVESTMENT TRUSTS - Cont.</b><br>...<br><b>INVESTMENT TRUSTS</b><br>...<br><b>INVESTMENT TRUSTS - Cont.</b><br>... | <b>HOUSEHOLD GOODS - Cont.</b><br>...<br><b>INSURANCE</b><br>...<br><b>INVESTMENT TRUSTS</b><br>...<br><b>INVESTMENT TRUSTS - Cont.</b><br>...<br><b>INVESTMENT TRUSTS</b><br>...<br><b>INVESTMENT TRUSTS - Cont.</b><br>...<br><b>INVESTMENT TRUSTS</b><br>...<br><b>INVESTMENT TRUSTS - Cont.</b><br>... | <b>HOUSEHOLD GOODS - Cont.</b><br>...<br><b>INSURANCE</b><br>...<br><b>INVESTMENT TRUSTS</b><br>...<br><b>INVESTMENT TRUSTS - Cont.</b><br>...<br><b>INVESTMENT TRUSTS</b><br>...<br><b>INVESTMENT TRUSTS - Cont.</b><br>...<br><b>INVESTMENT TRUSTS</b><br>...<br><b>INVESTMENT TRUSTS - Cont.</b><br>... |
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معلومات الاصل

LONDON SHARE SERVICE

HY TRUSTS SPLIT CAPITAL - Cont.

Table listing various investment trusts with columns for company name, share price, and other financial metrics.

OTHER INVESTMENT TRUSTS

Table listing other investment trusts with columns for company name, share price, and other financial metrics.

INVESTMENT COMPANIES

Table listing investment companies with columns for company name, share price, and other financial metrics.

LEISURE & HOTELS

Table listing leisure and hotel companies with columns for company name, share price, and other financial metrics.

LEISURE & HOTELS - Cont.

Table listing leisure and hotel companies (continued) with columns for company name, share price, and other financial metrics.

LIFE ASSURANCE

Table listing life assurance companies with columns for company name, share price, and other financial metrics.

MEDIA

Table listing media companies with columns for company name, share price, and other financial metrics.

OTHER FINANCIAL

Table listing other financial companies with columns for company name, share price, and other financial metrics.

PAPER, PACKAGING & PRINTING - Cont.

Table listing paper, packaging, and printing companies (continued) with columns for company name, share price, and other financial metrics.

PHARMACEUTICALS

Table listing pharmaceutical companies with columns for company name, share price, and other financial metrics.

PROPERTY

Table listing property companies with columns for company name, share price, and other financial metrics.

PROPERTY - Cont.

Table listing property companies (continued) with columns for company name, share price, and other financial metrics.

RETAILERS, FOOD

Table listing retailers and food companies with columns for company name, share price, and other financial metrics.

RETAILERS, GENERAL

Table listing general retailers with columns for company name, share price, and other financial metrics.

SUPPORT SERVICES

Table listing support services companies with columns for company name, share price, and other financial metrics.

SUPPORT SERVICES - Cont.

Table listing support services companies (continued) with columns for company name, share price, and other financial metrics.

TELECOMMUNICATIONS - Cont.

Table listing telecommunications companies (continued) with columns for company name, share price, and other financial metrics.

TEXTILES & APPAREL

Table listing textiles and apparel companies with columns for company name, share price, and other financial metrics.

TOBACCO

Table listing tobacco companies with columns for company name, share price, and other financial metrics.

TRANSPORT

Table listing transport companies with columns for company name, share price, and other financial metrics.

AM - Cont.

Table listing American companies with columns for company name, share price, and other financial metrics.

AMERICANS

Table listing American companies (continued) with columns for company name, share price, and other financial metrics.

CANADIANS

Table listing Canadian companies with columns for company name, share price, and other financial metrics.

SOUTH AFRICANS

Table listing South African companies with columns for company name, share price, and other financial metrics.

GUIDE TO LONDON SHARE SERVICE

Price for the London Share Service delivered by FT Direct, a member of the Financial Times Group. Company classifications are based on those used for the FT-62 Active Share Index. ...

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LONDON STOCK EXCHANGE

MARKET REPORT

Bid hopes and economic news lift Footsie

By Steve Thompson, UK Stock Market Editor

The FT-SE 100 index sailed confidently back through the 3,900 level yesterday and at one point looked poised to launch an attack on its all-time intra-day and closing highs, with the help of the Dow Jones Industrial Average which closed in on 5,700 shortly after the start of US trading yesterday.

But Footsie never really had the thrust to push it past its previous records. Turnover, by tradition relatively low on Mondays, was minimal from the outset. Footsie ended the session 17.8 firmer at 3,910.3, its fourth consecutive improvement; the index was just 11.3 points below its all-time intra-day high and just 7.5 off its record closing high. The FT-SE Mid 250 index was equally impressive, moving up 21.3 to 4,434.5. The Dow was 40 points ahead well after London closed for business yesterday.

Dealers said the bright news on the economic front had combined with expectations of a flurry of autumn takeover bids to drive share prices higher. And there was evidence, dealers said, of a return of programme trade activity in the market place. Turnover levels in London have suffered as the holiday period has seen a dearth of programme business. Late yesterday there was evidence of a medium-sized two-way programme carried out by one of the big US securities houses, thought to be Merrill Lynch.

Turnover at the 6pm count yesterday came out at 546.8m shares, with non-FT-SE 100 stocks accounting for 58 per cent of the overall figure. The value of customer business in equities on Friday was £1.56bn. The day's economic news came in bang in line with market forecasts, reinforcing recent market views that inflationary pressures in the UK are under control and not likely to pose too many problems to the chancellor of the exchequer in the short term. More inflation pointers came late last week with average earnings and employment news scheduled for tomorrow and retail price details on Thursday. Some market observers are said to be expecting a flurry of bids, including FT-SE 100 and Mid 250 stocks, in the short term, especially in the wake of the Labour party's attitude towards hostile takeovers.

The 4,000 level for Footsie has been pencilled in by some of the more bullish brokers, but only on the basis of a pre-election flurry of takeover activity. Big winners in the market's front-line stocks included P&O, in the wake of the merger of its container shipping business with Nedlloyd, and Railtrack, whose shares gained last week's strong gains amid various rumours of stake-building.



Indices and ratios table with columns for index name, value, and change.

Best performing sectors and Worst performing sectors table.

Merger boosts P&O

By Lisa Wood, Joel Kibazo and Peter John

Confirmation that P&O is to merge its container operations with those of Dutch company Royal Nedlloyd Group surprised many market watchers and sent the UK group's shares soaring.

The market's strong appreciation of the deal helped the shares rise by more than 8 per cent, as they jumped 4 1/2 to 559 1/2p, to record the day's best Footsie performance. Volume was a hefty 9.8m.

Analysts were particularly surprised by news of the deal, given that the company had said little about its plans for the container division when it revealed its restructuring proposals last March.

UBS, which is positive on the stock, believes the deal will allow P&O to realise the economies of scale in container shipping. In line with several other brokers, the securities house raised its profits estimate for the year 1996 by 20m to around the 250m mark.

But not everyone is a fan of the merger and analysts at Charterhouse Tiney said they will maintain their negative stance on P&O. Mr Mike Stoddart at the broker said: "It looks like a good deal but some of the benefits will be taken away by strong competition in the industry, such as continued downward pressure on rates."

day, the stock lifted 9 to 214 1/2p.

Merrill's move follows an upgraded stance from Kleinwort Benson, which turned buyer on valuation grounds at the end of last week. And the rise in the share price was accentuated by a shortage of available stock; several traders had sold shares following earlier cautious comments by ABN Amro Hoare Govett.

Elsewhere in the sector, Enterprise, which is scheduled to announce interim figures on Thursday, lifted 4 to 515 1/2p. However, the shares have performed very well since the company surprised the market with its last set of results and many analysts believe that, unless the figures are exceptional, any improvement is already discounted.

In the rest of the transport sector, Railtrack continued to be a feature, as the partly-paid shares appreciated another 11 to 280 1/2p. Volume was again heavy, reaching 9.2m by the close.

The shares have risen steadily over the last week with strong US buying cited as the main reason for the advance. However, there has also been vague talk of stakebuilding in the company, possibly from a US investor.

Railtrack watchers have so far dismissed such speculation and instead pointed to the yield attractions of the stock and the company's property portfolio. Analysts were trying to quantify the effect of a ruling in the Minnesota courts that Thorn, an international consumer rental and rental-purchaser company, should be subject to the state's consumer credit legislation. Thorn, which is expected to drop out of the FT-SE 100 soon, fell 6 to 383p.

Alexon advanced 1 1/2 to 172 1/2p following positive media comment while Dixons added 15 to 504p on reports of strong white goods sales.

Office machinery group Danka Business Systems leapt 85 to 560p - equivalent to the biggest percentage rise in the FT-SE Mid 250 Index - after the company announced it was buying Eastman Kodak's office copier business for 960m. Danka said the deal would boost earnings in the first year in spite of a one-off restructuring charge of \$25m-\$36m.

Reports from the US that Ben & Jerry's Homemade, which makes ice cream and associated products, expected third-quarter earnings to be lower than originally anticipated due to high dairy costs and lower than expected sales, had an adverse effect on Grand Metropolitan, which owns Haagen Dazs. Grand Metropolitan eased 1 1/2 to 484p.

Allied Domecq, which owns Baskin Robbins, another ice cream group, was also affected but analysts said there was profit-taking in the stock, which fell 8 1/2 to 469 1/2p.

Positive press comment following good results helped Hit J D Wetherington to 103 1/2p while negative comment resulted in PizzaExpress falling 10 to 440p.

There was "bottom fishing" in Bass, which has suffered over the past week because of fears that its purchase of the majority of Carlsberg-Tetley might be referred to the Monopolies and Mergers Commission. Bass gained 1 1/2 to 759 1/2p.

Perkins Foods added 4 1/2 to 86p following better-than-expected results and optimism over trading in the second

Lasmo lifted

Upheavals in Iraq and the consequent postponing by the United Nations of international oil sales have provided some brokers with the opportunity to take a more optimistic view of Lasmo, the exploration and production company.

Merrill Lynch moved its stance on the company from "neutral" to "accumulate" and argued that the shares should be on at least a 5 per cent premium to the company's net asset valuation, which the broker calculates at 219p a share.

Oil analyst Mr Jon Wright said: "The company is now a lot leaner and more focused, it has lower costs and is throwing off cash. It has also built up quite an exciting exploration portfolio." He argued that a near-term target of 250p for the shares, was undemanding. Yesterday, the stock lifted 9 to 214 1/2p.

Merrill's move follows an upgraded stance from Kleinwort Benson, which turned buyer on valuation grounds at the end of last week. And the rise in the share price was accentuated by a shortage of available stock; several traders had sold shares following earlier cautious comments by ABN Amro Hoare Govett.

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There was "bottom fishing" in Bass, which has suffered over the past week because of fears that its purchase of the majority of Carlsberg-Tetley might be referred to the Monopolies and Mergers Commission. Bass gained 1 1/2 to 759 1/2p.

Perkins Foods added 4 1/2 to 86p following better-than-expected results and optimism over trading in the second

FINANCIAL TIMES EQUITY INDICES

Table showing FT-SE 100, FT-SE Mid 250, FT-SE All-Share, and other indices with columns for price, change, and volume.

London market data

Table showing market statistics such as Total Shares, Total Fails, and Total Contracts.

LONDON RECENT ISSUES: EQUITIES

Table listing recent equity issues with columns for issue name, price, and volume.

FT GOLD MINES INDEX

Table showing gold mines index performance with columns for index name, value, and change.

FT-SE Actuarial Share Indices

Table showing actuarial share indices for various sectors like 10 MINERAL EXTRACTION, 11 OIL, etc.

FT-SE Actuarial All-Share

Table showing FT-SE Actuarial All-Share index performance with columns for index name, value, and change.

Hourly movements

Table showing hourly movements of the FT-SE 100 and other indices.

FT-SE Actuarial 350 Industry baskets

Table showing industry baskets like Adg & Constr, Pharmaceuticals, etc.

FUTURES AND OPTIONS

Table showing futures and options data for FT-SE 100, FT-SE Mid 250, and FT-SE All-Share.

TRADING VOLUME

Table showing trading volume for major stocks like BHP, Anglo, etc.

IN INDONESIA WE PROTECT THE RAINFOREST WITH FISH.

WWF advertisement for Indonesia rainforest protection, featuring text about WWF projects and a logo.

Large financial data section containing various tables, charts, and market reports.

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

Table of stock market data for Europe, including Austria, Belgium, Denmark, France, Germany, Greece, Ireland, Italy, Japan, Korea, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, and the UK.

ASIA

Table of stock market data for Asia, including Hong Kong, India, Indonesia, Malaysia, New Zealand, Singapore, South Korea, Taiwan, Thailand, and the Philippines.

AMERICA

Table of stock market data for America, including Canada, Mexico, and the United States.

Advertisement for Rockwell: 'To be a world leader in diverse businesses you need the very best scientists and engineers. Rockwell has 15,000 of them.' Includes Rockwell logo.

Table of stock market data for Africa, including South Africa, Egypt, and other regional markets.

Table of stock market data for Oceania, including Australia and New Zealand.

Table of stock market data for South America, including Brazil, Chile, Colombia, and Peru.

INDICES

Table of various stock indices including Dow Jones, S&P 500, Nikkei, and others.

US INDICES

Table of US stock indices including Dow Jones Industrial Average, S&P 500, and others.

ASIA

Table of Asian stock indices including Nikkei, Hang Seng, and others.

INDEX FUTURES

Table of index futures contracts including S&P 500, Dow Jones, and others.

US INDICES

Table of US index futures contracts including S&P 500, Dow Jones, and others.

ASIA

Table of Asian index futures contracts including Nikkei, Hang Seng, and others.

Footnote and disclaimer text at the bottom of the page.

NEW YORK STOCK EXCHANGE PRICES

Main table of stock prices with columns for stock symbols, prices, and volume. Includes sub-sections for 'NEW YORK STOCK EXCHANGE PRICES', 'NASDAQ LISTED STOCKS', and 'NASDAQ LISTED STOCKS'.

Advertisement for Hewlett-Packard with text: 'If the business decisions are yours, the computer system should be ours. http://www.hp.com/go/computing' and the HP logo.

Handwritten Arabic text: 'معلومات العمل' (Work Information)

Continued on next page



NYSE PRICES

Table of NYSE stock prices including columns for stock name, price, and change. Includes sub-sections for 'Continued from previous page', 'T', 'U', and 'V'.

NASDAQ NATIONAL MARKET

Table of NASDAQ stock prices including columns for stock name, price, and change. Includes sub-sections for 'Continued from previous page', 'W', 'X', 'Y', and 'Z'.

AMEX PRICES

Table of AMEX stock prices including columns for stock name, price, and change. Includes sub-sections for 'Continued from previous page', 'A', 'B', 'C', 'D', 'E', 'F', 'G', 'H', 'I', 'J', 'K', 'L', 'M', 'N', 'O', 'P', 'Q', 'R', 'S', 'T', 'U', 'V', 'W', 'X', 'Y', and 'Z'.

AMEX PRICES

Table of AMEX stock prices including columns for stock name, price, and change. Includes sub-sections for 'Continued from previous page', 'A', 'B', 'C', 'D', 'E', 'F', 'G', 'H', 'I', 'J', 'K', 'L', 'M', 'N', 'O', 'P', 'Q', 'R', 'S', 'T', 'U', 'V', 'W', 'X', 'Y', and 'Z'.

Advertisement for 'Have your FT hand delivered in Norwayway.' Includes text about hand delivery services and contact information for Financial Times.

Advertisement for 'Have your FT hand delivered in Norwayway.' Includes text about hand delivery services and contact information for Financial Times.

AMERICA
Dow builds on Friday's advances

US shares added to Friday's gains in quiet trading at midsession as investors continued to lower their expectations of an aggressive interest rate increase later this month, writes Lisa Branstetter in New York.

wages will translate into stronger consumer spending. Shares in Big B jumped 3% or 25 per cent at \$154 after Revco launched a tender offer to purchase the company's outstanding shares at \$15 each. Revco advanced 3% to \$25.

At 1 pm the Dow Jones Industrial Average was up 39.95 at 5,699.81 and the Standard & Poor's 500 added 4.39 at 960.07, while the American Stock Exchange composite fell 0.34 at 588.68. NYSE volume was 175m shares.

Mexico City turned back Mexico City reversed early gains in slow trade, pressured by a weak performance by Mexican ADRs listed in New York. The IPC index was 3.11 weaker at 3,337.82 at midsession.

Canada Toronto suffered a modest decline after a morning dominated by low volume. At noon, the TSE 300 composite index was off 4.00 at 5,145.90.

Mexico City turned back Mexico City reversed early gains in slow trade, pressured by a weak performance by Mexican ADRs listed in New York. The IPC index was 3.11 weaker at 3,337.82 at midsession.

EUROPE
Olivetti slides 19% after dealings re-start

Olivetti, the troubled high technology company, plunged 19.5 per cent when the shares were requested in MILAN after last week's suspension, with trading restrictions imposed by the bourse authorities stemming from an even larger rout.



Analysts said that the plunge demonstrated investors' dissatisfaction with events last week when the company said that it stood by its first half results statement, which had prompted the resignation of one senior executive.

Paris was further progress on what one broker described as a clear return of international institutional buying. Comfortably absorbing a steep fall at Renault ahead of today's interim results, the CAC-40 index closed 15.55 better at 3,020.30.

ASIA PACIFIC
Bangkok drops 2.1% despite rescue fund action

Forced selling by investors, unable to top up margin loans, left BANGKOK at a three year low. The SET index fell 21.19 or 2.1 per cent to 986.32 as a slew of finance groups hit 10 per cent limit lows.

Other retailers were also lower, with Ito-Yokado falling ¥140 to ¥5,650, Marui ¥30 to ¥2,090 and Takashimaya ¥20 to ¥1,880.

rising by 2.3 per cent. Henderson Land, which reports annual results tomorrow, was HK\$1.75 higher at HK\$61.50.

August 1, adding that market capitalisation had jumped to \$3.6bn on Sunday from \$2bn at the start of 1994.

loosen monetary policy. The weighted index rose 63.46 to 6,435.43 in active turnover of T\$56bn.

MEXICO CITY TURNS BACK

Mexico City reversed early gains in slow trade, pressured by a weak performance by Mexican ADRs listed in New York. The IPC index was 3.11 weaker at 3,337.82 at midsession.

Analysts also attributed the weaker trend to the absence of foreign institutional investors who, they said, had turned their attention to other markets.

MARKETS IN PERSPECTIVE

Table with columns: Market, % change in local currency, % change starting 1 week, % change starting 4 weeks, % change starting 1 year, % change starting 5 years, % change starting 10 years.

AFRICA INDUSTRIALS HIGHER

Industrials and golds moved in opposite directions in Johannesburg, with the former rising on the active futures market and golds held in check by a softening bullion price. The overall index closed up 31.4 at 6,817.5.

index closed up 31.4 at 6,817.5. The industrial index rose 48.9 to 8,024.8, with dealers citing the imminent expiry of the September index futures contract as the main reason for the upturn.

FT/SE ACTUARIES WORLD INDICES

Large table showing FT/SE Actuaries World Indices for various countries and regions, including Australia, Canada, Europe, Japan, etc.

Lead Managing Global Financial Solutions for Issuers Worldwide. A grid of financial product advertisements from Citibank, including offerings from Detroit Edison, Trans Power Finance Ltd, Citibank Aktiengesellschaft, etc.

Vertical text on the right edge of the page, including 'BUSINESS' and other illegible characters.

# Industry inflation lowest for 29 years

By Graham Rowley, Economics Staff

Inflationary pressures in industry fell to their lowest level for almost 29 years last month, official figures showed yesterday, while strong growth resumed in Britain's shopping centres, according to the UK's biggest retailers.

More companies were set up in England, Wales and Scotland last year than in any year since at least the early 1980s, while many entrepreneurs are now starting their businesses in Britain's less urbanised regions, according to new figures.

Specialists said 14,396 companies were started last year in England, Wales and Scotland, a 12.3 per cent increase on 1994 and the highest yearly figure since Jordan's devaluation in the early 1980s.

South-west England has seen the biggest increase in the number of new companies since late 1993 - about the time the economy started gathering steam after the early 1990s recession.

Factors, however, underlying input costs rose 0.1 per cent last month, the first monthly increase for 13 months.

## Legal groups get assurance on Emu fears

By Gillian Tett, Economics Correspondent

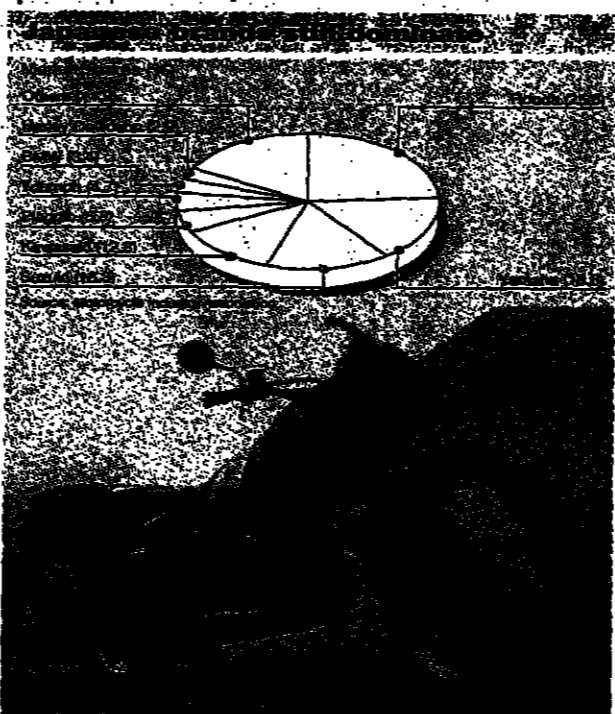
The European Commission has offered UK-based lawyers fresh reassurance that European monetary union will not disrupt legal contracts in the City of London - even if the UK stays outside Emu.

now hopes it could use another "fall back" article, 235, to apply part of the regulations to non-Emu members.

## Motorcycle sales race ahead

New-found leisure market spurs industry's 'orderly' revival

Sales statistics for the first eight months of the year show that the UK motorcycle, scooter and mopoped sector is enjoying its first sustained revival for more than a decade - and one which is gaining in strength.



Industry leaders say that the sector is in better financial shape and enjoying more orderly marketing conditions than at almost any time in its history - even though total sales for this year are still expected to be less than a fifth of the 315,000 machines sold in the record year of 1980.

Since January, however, the market has really raced ahead. At 48,591, registrations for this year's first eight months are 19 per cent up on the same period last year.

The market. The legislation will limit riders who have newly passed their tests to machines of less than 33 brake horsepower for two years, unless they take a subsequent test specifically for higher power machines.

John Griffiths

### UK NEWS DIGEST

## 'Lean' US union model outlined

Trade unions need to become "a lean, mean political fighting machine, defeating politicians who turn their backs on working men and women and unions", Mr Richard Trumka, secretary-treasurer of the AFL-CIO federation of United States unions, said yesterday at the annual conference of Britain's Trades Union Congress.

It is no coincidence that Mr Trumka is at this year's TUC as a "fraternal" delegate. The offensive the US unions have launched in favour of working families and against corporate America is seen by many in the TUC as a model of what could be tried in Britain to reverse their decline.

Mr Trumka described how the American unions were launching recruitment campaigns, persuading unions to work together and targeting entire industries. A special effort was being made to organise women as well as a focus on the southern states where trade unionism has been historically weak.

A \$20m fund has been created to be spent over the next two years on union organisation in workplaces - four times more than has ever been spent before in such a short time.

The US unions are also deploying 3,000 officers in a \$35m campaign to form committees to back candidates in November's congressional elections and then "holding them to account".

### PROPERTY

#### Plan for City skyscraper unveiled

Plans to build Europe's tallest skyscraper in the City of London were unveiled yesterday by Kvaerner, the Norwegian group. The design by Sir Norman Foster envisages a 32-storey curved glass tower incorporating 0.135 sq m of office space, shops, restaurants and 40 flats on the upper floors with panoramic views.

Kvaerner hopes to build the 540m (\$624m) tower on the 0.56 hectare site of the Baltic Exchange, a listed building in the north of the City which was badly damaged by an IRA bomb in 1992.

### NATIONAL LOTTERY

#### 'Spin-off' job creation claimed

The National Lottery will create or secure 111,000 jobs in the UK by the year 2000, according to a new study by the Henley Centre for Camelot, the consortium which operates the lottery.

Henley did not however look at jobs that might be lost as a result of the lottery other than to note that so far studies and press reports show job losses of 6,500 among football pools which involve betting on the results of soccer games, betting on horse races and among bingo companies.

### ACCOUNTANCY

#### Auditing duties tightened

The duties of auditors to alert regulators when they find something wrong with the accounts of financial institutions have been further tightened up as a result of lessons learnt from the collapse of the Bank of Credit and Commerce International in 1991.

### PHARMACEUTICALS

#### Swedes to expand research centre

Astra, the fast-growing Swedish pharmaceuticals company, is to spend \$1.6bn (£977m) on expanding the Loughborough research centre it bought for £202m (\$315m) last year from Fisons.

The investment is the first in a series, although the others have not yet been approved by the company's board of directors. Astra said yesterday that it planned to add about 200 staff over the next two to three years at the Loughborough site.

## BUSINESS AND THE LAW

### Local lawyers in Hong Kong are in danger of losing a substantial proportion of their fee income.

Scale fees - the fixed fees for conveyancing work - are to be abolished later in the year.

## A scale of reckoning

Nigel Page on the abolition of a fee system in Hong Kong



Under the existing scale system law firms receive 1 per cent of the first HK\$1m (\$25,000) of the value of the property, 0.5 per cent of the value between HK\$1m to HK\$5m.

The Hong Kong Legal Department's public opinion survey found that about 40 per cent of respondents were dissatisfied with the scale fees scheme.

that firms would be obliged to undertake work at uneconomic fees ultimately jeopardising their own existence.

The administration's position was clearly set out in the February 1995 Report on Legal Services, which stated that it would prepare legislation to abolish scale fees but that if before the legislation was introduced into the Co, the society made alternative proposals that were fair to consumers, it would give them careful consideration.

According to Mr Robert Alock, deputy law officer in the attorney-general's office, the only proposal officially put to the administration was that the costs committee should determine the level and structure of conveyancing fees. The other options were previously put by the society to its members, who indicated they favoured a reference to the committee.

Mr Alock said that in recent months the society had been alleging that based on the English experience, where revenues from conveyancing declined rapidly after the outlawing of scale fees, abolition would be a disaster.

Mr Carson Wen, a partner in a medium-sized local firm and vice-chairman of the Hong Kong Progressive Alliance, a pro-China political party, is strongly opposed to the abolition of scale fees.

## Call to abolish banking secrecy

By William Lewis in Cambridge

The UK government should take a lead and abolish banking secrecy in its dependent territory offshore centres, a former legal adviser to MI6 and MI5, the British intelligence agencies, said yesterday.

Mr David Bickford, the first British intelligence lawyer to speak publicly in the UK, said at a conference in Cambridge, 50 miles north-east of London, that there "appears to be no justification at all for offshore bank secrecy other than to protect the criminal".

He said "offshore bank secrecy can and must be abolished" and "the UK should be the first to abolish this secrecy given their territory offshore centres".

Mr Bickford who now runs an international legal consultancy, said "endemic corruption" is caused by offshore secrecy, and it is "difficult to see why it is tolerated by any other than those with an unlawful disposition".

He said allowing countries to maintain offshore banking secrecy is "a classic example of the corruptive influence of organised crime".

Mr Bickford added that the "justification is put forward at all is an example of the overwhelming subsversive corruptive influence of organised crime which has managed to magic a seemingly acceptable position out of the sheer weight of its financial proceeds from narcotics, fraud, extortion and other criminal enterprises".

Mr Raymond Kendall, secretary general of Interpol, told the 14th International Symposium on Economic Crime and Terrorism, which was held in Cambridge, that governments should commit more resources and step up co-operation to tackle the growing problem of international corruption.

Academic research in the UK is threatened by "ignorant and insensitive attempts to manage it as if it were part of industry", a university leader told the British Association yesterday, Clive Cookson writes.

In his presidential address to the conference, Sir Ronald Osburn, rector of Imperial College, London, said government-imposed attempts "to over-manage university in the interests of India and East Africa."

Mr Tariq Modood of the PSI said professions such as medicine and the law looked more attractive than continuing in business, for both social and economic reasons.

Many of the Asians came from non-entrepreneurial middle class families that looked down on trade as socially inferior to professional or even clerical work, Mr Modood said.

Mr Modood said. After arriving in the UK they set up small businesses out of economic necessity because they could not find more desirable jobs.

"They used self-employment to provide the economic platform to get into the higher professions - to redeem the dream of family improvement in the next generation," he said.

Mr Dipak Sheth, manager of the Institute of Asian Businesses in Birmingham, said: "The entrepreneurial opportunities are there but more and more parents are saying they are not going to compel their youngsters to follow the business way."

"Clearly they have to pass the business on to somebody, but they encourage their children to follow the education system as far as they can. If they later want to return to use their professional skills inside the family business, they will hopefully come back."

However, the move to the professions has also been accelerated by the recessions of the past 15 years, according to Mr Mukesh Murria, of Murria Solicitors in Birmingham. "There are so many examples of people finding it difficult in business because of the recessions that they have become demoralised," he said.

"They look at things differently now and think it is essential for their children to go into the professions. It is like a fish that has been taken out of water for too long - it is very, very hard to revive after such a bad experience."

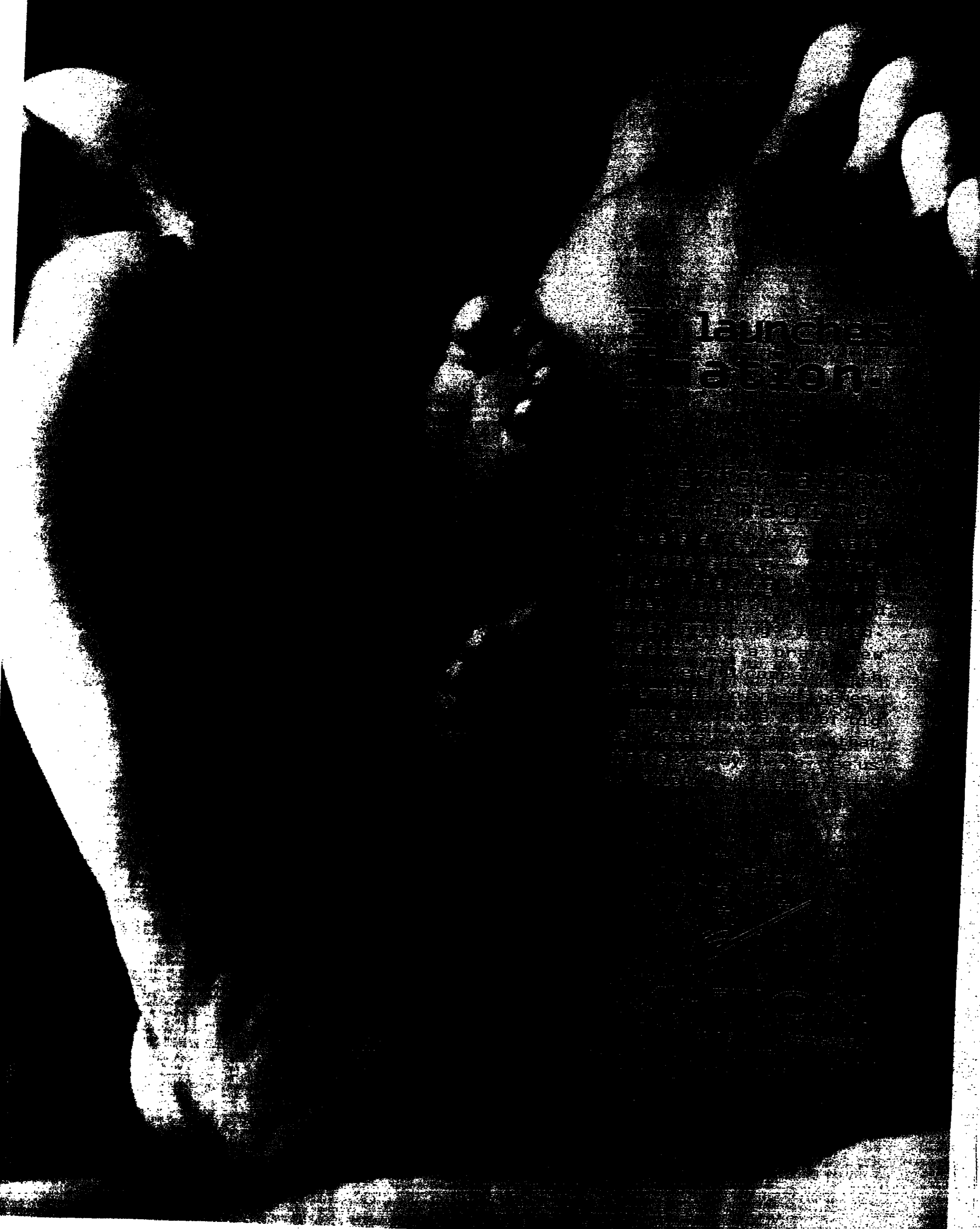
Mr Carson Wen, a partner in a medium-sized local firm and vice-chairman of the Hong Kong Progressive Alliance, a pro-China political party, is strongly opposed to the abolition of scale fees.

"The man in the street here would probably not appreciate the importance of scale fees in the conveyancing process. But because there is no registered title system and no title insurance, certifying title falls to the lawyers, which is where the undercutting of fees would eat into quality. That could mean the difference between good and bad title [to the property], so abolition would ultimately be bad for consumers. This is hard to appreciate unless one knows the amount of work involved in verifying deeds, especially for old buildings, and the number of bad titles around," he said.

Mr Wen said it would be smaller local firms which would be the hardest hit by unrealistically low fees.

The author is an editor of the Asia Pacific Legal 500, a directory of Asian law firms

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Info

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TECHNOLOGY

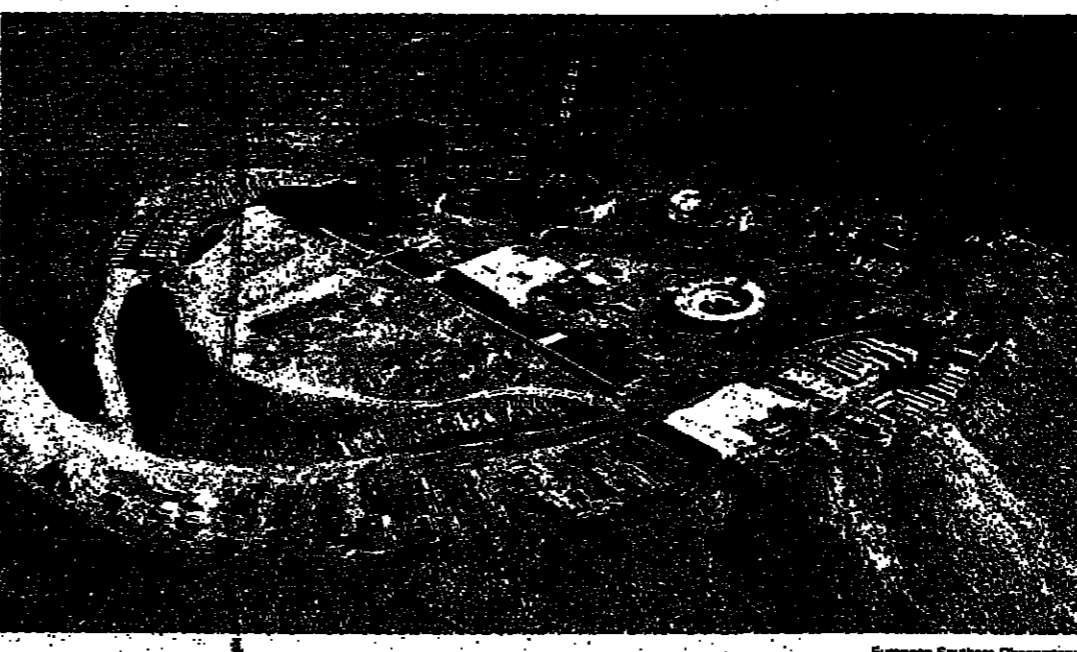
A mountain top in Chile is being transformed into an observatory, reports Bruce Dorniney

Into infinity

Nearly 80 years after a 100in mirror at California's Mount Wilson Observatory brought telescopic astronomy into the modern era, the European Southern Observatory's (ESO) Very Large Telescope (VLT) promises to take the next big leap in optical astronomy.

The DML2m (S2L1m) project is the brain-child of ESO, a Munich-based intergovernmental body that has provided its member-countries of Germany, France, Belgium, Denmark, Holland, Sweden, Italy and Switzerland with telescopic facilities in the southern hemisphere since 1962.

It is altered by the mirror to compensate. The mirror has been up to 300 nanometers, which is nothing, but enough to matter when resolving images at billions of light years.



High hopes: the telescope on Paranal will be sensitive enough to spot a glow worm at 10,000km

pollution and mining activity. "Just to level the mountain top took DM7m," says Tarengli. "But we are building an observatory that is the complete top of a mountain, a machine designed to have a minimum lifetime of 25 years."

A twinkling star may be fine for poets and romantics, but it is a pain in the eye for astronomers. To see stars and nebulae without their twinkle, which is caused by the earth's atmosphere, requires multimillion pound space telescopes.

Taking the twinkle out of the stars

A new system allows astronomers to see their targets more clearly, says Fabian Acker

neighbours will become easier and cheaper. The theory is simple. The system sends a laser beam through the telescope towards the star under observation. The beam is scattered back from the atmosphere some 20km away.

To achieve this in practice needs highly complex technology but much of it is now satisfactorily developed, to the extent that there is a waiting list of clients wanting to install the system.

by the constant dissolution of micro-meteorites which burn out as they fall towards the earth. Andrew Kearsley, Oxford Lasers' managing director, says: "It is not light years away but it is five times higher up than the present range."

lasers have operated in that interval, and the first one is ready to fire again. In addition to the complexity of fitting each one precisely to its allotted pattern, the combination has to be achieved without blasting a hole through the sodium layer.

target. The mirror would need to rotate at perhaps 1,000 revolutions a second, with very high accuracy and stability. The technology of shooting laser beams to focus on a spot 20cm in diameter over a distance of 100km or so with such accuracy, contrasts strongly with the company's main business of firing lasers over a distance of a few centimetres with diameters measured in micrometres.



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INTERNATIONAL PEOPLE

Bankers Trust Madrid moves



The changes made by Spain's new government in the boardrooms of companies linked to the public sector have deprived Bankers Trust of one top man at its Spanish operation and provided it with another.

Juan Villalonga, brought in to head the bank's Madrid office only last year, left three months ago to take over as government-nominated chairman of Telefonica, the telecommunications group.

New one of the victims of the changes, Pedro Pérez, (above), who was replaced as chairman of the state-controlled tobacco company Tabacalera, has joined the bank in the new position of non-executive president.

A career civil service economist, the 47-year-old Pérez knew he stood no chance of staying on as chairman of Tabacalera, having been appointed to the job by the previous Socialist administration after serving in the government team for five years as state secretary for the economy.

It was equally no surprise that the Popular Party government should offer a job to Villalonga, a school contemporary and close friend of prime minister José María Aznar. His brief period at Bankers Trust is described by insiders as having been "a bit of a hurricane" in terms of bringing in new business.

Plastic wars intensify

Two top executives of US plastic card issuers abruptly left their jobs last week, as the "plastic wars" between banks and independent issuers intensified.

David Hunt, 50, president of AT&T Universal Card Services, the retail credit arm of the dominant US telecommunications supplier, resigned on Wednesday "to pursue other interests". He was believed to be unhappy with the amount of influence he could wield over the

company, the third largest credit card issuer in the US.

He had been at the company for three years, and is now looking for another business post. Meanwhile, AT&T has started an external search for "someone with a broad financial services background".

The company, founded in 1990 and backed by one of the most powerful brand names in the US, had already grown to administer 18m credit cards, putting it behind only Citicorp and the newly merged Chase Manhattan-Chemical bank.

Hunt was regarded as having established the company after its first initial growth, and had successfully raised the amount of money being spent on each card, although this was still below the industry average. However, revenues had fallen this year, in a development which the company attributed to stiff competition. There is continuing speculation - which AT&T denies - that the company will be spun off.

Also departing his post last week was Walter Berman, who resigned as chief financial officer of American Express's travel-related services unit in order to set up his own consulting practice. There was speculation that Berman, a 30-year American Express veteran, had decided to step down after the company had made an outsider - Richard Goetz, formerly of the UK's National Westminster Bank - its new chief financial officer.

Calvin Klein expands

When Calvin Klein, the US fashion designer, decided to expand his business in the early 1990s he poached Gabriella Fortis, the right-hand woman of Giorgio Armani, his Italian rival, to help him.

Having decided to expand the business yet further, he has looked further afield for a new recruit by coaxing Bruce Fabel from Nike, the US sportswear concern, to orchestrate the international expansion of his fashion and sportswear stores in the role of executive vice president, retail.

Even before the Calvin Klein appointment, Fabel's curriculum vita had a glamorous air. Since 1994 he has been in charge of the Niketown chain of stores, owned by Nike, the dynamic US sportswear group. But his first experience of turning a US brand into a

retail force was with the Time Warner entertainment group, for which he opened 111 stores selling Warner Bros movie merchandise between 1989 and 1994.

Fabel's brief at Calvin Klein will be no less ambitious. The designer has been one of the highest profile figures in US fashion for two decades, but is still better known elsewhere for his best-selling scents, Obsession and ck one, than for his clothes. Klein now hopes to change that by opening a string of stores in Europe and Asia to sell his eponymous fashion collection and the ck sportswear range.

The expansion started toward the end of last year, with the opening of a luxuriously minimalist flagship store on Manhattan's Madison Avenue designed by John Pawson, the British architect. Calvin Klein ventured into Asia last week by opening stores in Seoul and Hong Kong, with a Jakarta launch planned next month.

Next year Calvin Klein will start the assault on Europe when stores open in London and Milan. Bruce Fabel will then have to build the base of a European-wide chain of shops, as well as continuing Calvin Klein's expansion in Asia.

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ON THE MOVE

Jill Barad has been promoted to chief executive of MATTEL, the US toy manufacturer, where she has been president and chief operating officer since 1992. Barad, who thus becomes one of only two female chief executives among Fortune 500 companies, succeeds John Amerman, who remains chairman.

vice-president and general counsel of APPLE COMPUTER. Stead, who joined Apple in 1988, guided Apple through some ground breaking technology-related issues including a long legal battle with Microsoft, when Apple claimed Microsoft's Windows imitated the look and feel of its Macintosh operating system.

in South Carolina. Sarah Wise is stepping down as senior vice-president finance at NOVELL, the leading US network software group, to become chief financial officer at Legato Systems, a Silicon Valley software company and Novell partner.

Coal Terminal. Sarah Williams, formerly area manager UK and Eire for European Television Networks, has been appointed deputy chief executive of MAKART, a wholly-owned subsidiary of France Câbles et Radio, itself part of France Telecom.

editor-in-chief of loss-making Dutch daily HET PAROOL has resigned along with his deputy Toon Schmeink. No successors have been named.

September 27. James Witry has been appointed by MERISEL, the distributor of computer hardware and software, as a senior vice-president of Merisel Americas. Kristin Rogers has been promoted to senior vice-president.

BUSINESSES FOR SALE

Avon Bearings Co. (In Administrative Receivership) J.D. Newell and J.V. Ayre, the joint administrative receivers, offer for sale the business and assets of the above company.

Coopers & Lybrand ENVELOPE MANUFACTURER The Joint Administrative Receivers, Edward Kempka and David Waterhouse, offer for sale the business and assets of this Leeds-based envelope manufacturer.

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ARTS

Venice Film Festival

Globe-trotting meets jingoism

Some films were not chasing the Golden Lion but the 'meaning of life', reports Nigel Andrews

This year Venice reopened its atlas and found there was a world between Hollywood and the east. Recent Lido festivals, however strong, have been dominated by America that English-speakers have barely had to consult a subtitle, except for the occasional oriental film that jumps in and steals the Golden Lion.

This year there were movies from Iran, Georgia, Mexico, Australia and every imaginable mix of European countries. And in the most exotic globe-trot of all a New Zealand director escorted Henry James to London, Florence and Rome.

I am not sure that James went willingly. Like everything Jane *The Piano* does, *The Portrait of a Lady* is fiercely sensual. Henry's femininity and just plain ferocity, Nicole Kidman in pale make-up and *Bride of Frankenstein* friz plays Isabel Archer, James's new world heroine who runs foul of old world values (John Malkovich as the Euro-decadent Gilbert Osmond, Barbara Hershey as a chilling Madame Merle).

The film is marvellous and maddening at the same time. Campion shoots many scenes through an expressionist fog, like a painter 'scumbling' a canvas, so that faces heave out at us like lighthouses and even the sound-track boasts at times a weird, rending boom like distant package.

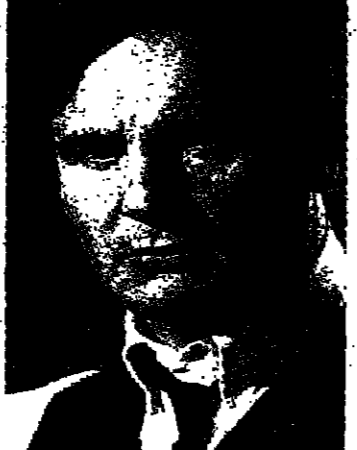
Campion's approach is so dominated by modernist psychodynamics - including sex fantasies and Freudian nightmares, - that we wonder if she should not have pensioned James off altogether. The novelist's Rome and Florence are never felt as real places, and the minor characters either fill up with neurotic tics (Mary-Louise Parker's Henrietta) or fade helplessly into the engulfing psychodrama (Viggo Mortensen's Caspar).

But though subject and sensibility never fully gel, as a stylist this director is still streets ahead of the competition; and at Venice, goodness knows, of the Competition.

Internationalism is one thing. What directors like Jean-Luc Godard, Otar Iosselliani and Ken

Loach got up to here, in the name of political cinema, was several others. In the Swiss-made *For Ever Mozart* Godard makes a boulevard pageant out of Bosnia, *snarling bombs, bullets and bonnet* across a plot about a movie-within-a-movie.

In the slightly more cogent *Brigands*, Paris-based Georgian director Iosselliani backpedals to his *Favourites Of The Moon* style for a multi-plot tale of Slavic oppression through the ages. Lithic, haptic, but very long. And in *Cavala's Song* Ken Loach lec-



Liam Neeson: 'best actor' as Michael Collins in Neil Jordan's controversial, award-winning film

tures us about Nicaragua, sending his Glasgow-dwelling hero and heroine off to Central America, circa 1987, to learn about Contra atrocities.

When Loach just once makes a film in which a left-wing regime is admitted to have erred, admirers of his neo-real style might stop heaving a sigh at his one-agenda agitprop cinema.

Far better were two stay-at-home films, which approached the mysteries of life, death and society by focusing on their own countries and children. The title four-year-old of Jacques Dilloun's *Penelope*, astonishingly played by Victoria Rivisio, loses her mother in a car crash and tries to grapple, in the weird

world of schoolyard philosophising, with the meaning of pain and bereavement.

How Dilloun coaxed such varicoloured emotional performances from his moppets I shudder to think. Maybe he screamed at them from rooftops, maybe he peeled onions under their eyes. Either way, Mlle Thiviso went on to win the youngest Best Actress prize in film festival history.

Even *Penelope* does not pack the emotional punch of Abolfaz Jallili's semi-dramatised documentary *A True Story* from Iran, or *aspark so densely Franklinian* a plot. Jallili himself is the director who abandons a planned fiction movie when he learns that his lead boy actor, just "discovered" in a bakery, has a leg deformed by a burning accident. The limb can only be saved by surgery, so Jallili and his crew switch track to documentary and over 2½ hours we follow the boy through waiting rooms and clinics into the operating theatre. On the way we come to know his family, his girlfriend, his society (with all its Moslem quirks and caveats) and above all him: a volatile, wide-eyed urchin with star quality written all through him.

At the end of the screening I overheard jurors Anjelica Huston and Roman Polanski arguing whether or not *A True Story* is qualified for Lionisation. (They obviously decided it didn't.) But it is less a documentary than a movie about documentaries, asking "What is real?" and "What is contrived?" In two harrowing scenes the boy sheds tears, and though we weep with him we also wonder whether serendipity or dramatic craft arranged this and other key points in the story's arc.

So what film would receive the Venice jury's leonine embrace? *The Portrait of a Lady* was not eligible, since it showed out of competition. So did Walter Hill's violent *Last Man Standing*, improbably remaking Kurosawa's *Yojimbo* with Bruce Willis.

So did *Shine*, Scott Hicks's praised portrait of a mentally disabled Australian pianist, a film that seemed to me like "Rain Man Meets Rachmaninov". The hero is true-life musician David Helfgott, played by three different actors as he grows from



Valentina Cervi and Nicole Kidman in Jane Campion's 'The Portrait of a Lady': Henry James with a dose of sexual fantasy and Freudian nightmare

father-dominated, tot via student prodigy to tragic casualty of schizophrenia. Well, it should be tragic. But with so much syrupy off-screen music and so many ill-fitting great players, including professor John Gielgud quavering out lines like "The piano is a monster, you must tame it", it threatens to join the great batty biopics of our time.

Even in the competition good films were only partially good. Abel Ferrara's *The Funeral* has dazzling acting in a *déjà vu* Mafia plot, with Christophers Walken and Penn *smouldering* and crackling as two short-fuse mobsters. (Penn won a special Best Supporting Actor prize.) Tom Dillo's *A Box Of Moon-*

light was pretty shot but feyly scripted, a buddy fable about a middle-aged yuppie (John Turturro) redeemed by a young dropout. And Julian Schnabel's *Basquiat* was a series of beautiful pictures, most of them hanging from walls, in search of a plot.

So odds shortened on the one Venice film that received a standing ovation, *Michael Collins*. My own reservations about this political epic are already in print: it is big, bland, and overblown. But these are the qualities a size-starved festival audience often craves. (You should have seen the queues to the non-competitive Italian premiere of *Independence Day*.)

So Liam Neeson, who had been carted off to Padua hospital with a blocked intestine on screening night, had his Best Actor prize collected by co-star Aidan Quinn, who thanked festival director Gillo Pontecorvo while spectacularly mispronouncing his name. And director Neil Jordan bounded onstage to collect the Golden Lion, while 50 UK typewriters clattered to acclaim a British victory.

Of course *Michael Collins* is a Warner-backed film of an Irish story, in which the British are on trial for historical duplicity, oppression and mismanagement. But never mind. In festival land any excuse for jingoism is a good one.

Theatre  
An odd foursome

Congratulations to Rough Magic Theatre Company for reviving, in the Donmar Warehouse, *Pentecost*, an excellent play from 1987 by the late Stewart Parker (1941-88). I confess that at first, I found this play easy to resist. For it is set in Belfast during the troubles mid-1974, to be precise - a setting that is not my idea of a good night out; and Marian and Lenny, the now separated married couple who converse during its first scene, seem to be just a pair of grumpy drabs. Hit by hit, however, *Pentecost* becomes more diverse, more touching, and more strange. Eventually, it sends you out of the theatre ever so slightly exalted.

It is, mind you, a play. It asks you to accept, for example, that, well after midnight, when Marian is alone in the sitting-room of the house into which she has recently moved, she is visited first by the ghost of Lily Matthews, the previous inhabitant of this house from 1918 on; then by Ruth, a friend whose policeman husband has just severely beaten her; and next by Lenny, whose flat happens to have been burgled. And yet it is this scene that shows us the complex and absorbing nature of Marian's character. She doesn't much like herself, but she wants to change that. And she starts by trying, of all strange things, to learn about the late Lily. In the third act, when Lenny's friend Peter - a mordant cynic - joins the household, we see Marian well advanced into her research into Lily's life; and we learn of Marian's and Lenny's child, who died five years ago, aged months old, in his cot.

While, outside the house, the troubles rage, Marian, Lenny, Ruth and Peter make an odd foursome, with different chemical reactions to each other and to events outside. The late Lily, the embodiment of "respectable" Protestant self-righteousness and bigotry, continues to appear to Marian. Very movingly, Lily describes her life's one searing episode of radiant adultery with an English airman who stayed in the house as a lodger: a "dark angel". By finding sympathy for Lily, Marian becomes the least bitter person in the house, and it is on the note of spiritual enlightenment she introduces to the house's little community that the play ends.

The only slight flaw in Lynne Parker's excellent direction is that the characters occasionally allow odd words to become inaudible. Eleanor Methven as Marian, Brian Doherty as Lenny, Michele Forbes as Lily, Marina Regan, and Paul Hickey as Peter are all beautifully cast. The play has some passages of wonderful lyricism. Lily speaks of how her "dark angel", the English airman, "left me falling - falling." Marian tells of how Lily would sit alone in this room during the war and picture him up there, "burning a hole in the sky". The male characters speak with a more caustic irony, as when Lenny asks "I wonder what it was like here - before Christianity?" (he means in Northern Ireland before the troubles). Every detail you see - flared trousers, sideburns - speaks of 1974, and every response you have speaks of now.

Alastair Macaulay  
Donmar Warehouse, WC2.

A master of creative tension

Andrew Clark reviews conductor Valery Gergiev's Prom debut

An air of high expectancy surrounded Valery Gergiev's Proms debut at the weekend - not just because *our* Gergiev concert is an event, but because it was the first time London had heard him with the Rotterdam Philharmonic. It has very different qualities to his other orchestra, the Kirov, and a far lower profile.

This will almost certainly change, and the Proms are a first step: a year after Gergiev became music director, the Rotterdam musicians must still find it hard to believe their luck in landing one of the most charismatic conductors on the international stage.

Judging by their two concerts at the Royal Albert Hall, each juxtaposing Debussy with the Russian repertoire Gergiev knows best, conductor and orchestra have a lot to offer each

other, but have not yet properly gelled. Section by section, the orchestra is one of Europe's best-kept secrets. It has highly sensitive woodwinds; elegant brass, silken strings - a perfect vehicle for the mysterious depths of Le Martyre de Saint Sébastien two fragments of which opened the first programme. The placing of cellos and double basses diagonally opposite each other underlined the vast spectrum of sound these musicians command - an undoubted bonus in the complete *Pinebird* music, which revealed conductor and orchestra as masters of musical impressionism.

What the orchestra lacks is a strong corporate personality. It is reluctant to take risks - a distinct disadvantage in the second movement *animatos* of *La Mer*, which missed any sense of dash and splash - and it is equally unwilling to bring its enviable palette of colour into sharper focus. This was a serious drawback in Prokofiev's Sixth, Symphony, which preceded *La Mer* on the second night. The whirring, shrieking motifs of the first movement's development section barely registered, because the woodwinds were too self-effacing. It is sad that an orchestra which can play so softly does not also know how to let rip.

This is something Gergiev will surely work on. Both concerts offered insight into why he has become the darling of musicians and critics wherever he goes. His Furtwänglerish vagueness of beat forces his players to listen to each other, generating performances of great atmosphere. You could tell that every bar of the Stravinsky had been thoroughly rehearsed, but Gergiev knows the value of creative tension on the night; the calculated spontaneity with which the Firebird's theme welled up from the orchestra was magical.

Nevertheless, his predilection for slow tempi sometimes robbed the music of momentum. In *La Mer*, the first movement's eugenic climax was improbably becalmed, and the cross-currents of *Jeux de vagues* were tamed by a wooden rhythmic pulse. Nor did he do anything to counter the impression that, in terms of timbre and emotion, the Prokofiev symphony was simply too well-cushioned. The textural austerity at which the music demands, and which comes naturally to Russian orchestras, had to be taken for granted.

Between Debussy and Stravinsky on the first night, we heard Prokofiev's Second Piano Concerto played by Alexander

Toradze - a powerfully internalised and often poetic performance, notwithstanding the soloist's histrionics in the gigantic first movement cadenza. The highlight of the second evening was Anna Netrebko's child-like purity of voice and directness of expression in Musorgsky's song-cycle *The Nursery*. I thought the first programme much more successful than the second. Both had a festive air - which is more than can be said for last Thursday's BBC Symphony Orchestra. From with Stanislaw Skrowaczewski. Standing in for Guntar Wand is an unenviable task, and although the audience seemed well pleased with Skrowaczewski's handling of Haydn's Symphony no. 70 and Bruckner's Sixth, the sloppy orchestral playing proved that even the Proms can slide into deadly routine.

INTERNATIONAL ARTS GUIDE

- AMSTERDAM
  - CONCERT Concertgebouw Tel: 31-20-5730573
  - Koninklijk Concertgebouworkest; with conductor Riccardo Chailly and cellist Jian Wang perform works by Prokofiev, Shostakovich, Stravinsky, Rossini and Shan-Bo/Ying-Tai; 8.15pm; Sep 12
- BERLIN
  - CONCERT Deutsche Oper Berlin Tel: 49-30-3438401
  - Piaf: Katja Nottke performs chansons from the KAMA Theater's Piaf musical. She is accompanied by vocalists Ana Fonell, Katja Tiede, Claudio Maniscalco, Roland Frag and Oliver Feld, conductor/double bass-player Thomas Grossmann, percussionist Paul Kleber, pianist Claudia Fröh and accordionist Melanie Zische; 8pm; Sep 11
  - KonzertHaus Tel: 49-30-203090
  - Ensemble Modern; with

- conductor Peter Eötvös perform works by Stockhausen and Beethoven; 8pm; Sep 11
  - Philharmonie & Kammermusikkollegium Tel: 49-30-2614383
  - Berliner Philharmonisches Orchester; with conductor Franz Welsch-Möst and soloists Pamela Frank and Clemens Hagen perform works by Berlioz, Brahms and R. Schumann; 8pm; Sep 11
- OPERA
- Kornische Oper Tel: 49-30-202600
  - Kornische Oper; with conductor Joachim Willert perform Mascagni's *Cavalleria Rusticana* and Leoncavallo's *Pagliacci*. Soloists include Slavjova and Bach-Rohr; 7pm; Sep 13
- COPENHAGEN
- DANCE Det Kongelige Teater Tel: 45-33 69 69 69
  - A Midsummer Night's Dream; a choreography by George Balanchine to music by Mendelssohn, performed by the Royal Danish Ballet. Soloists include Sija Schandrarff and Aage Thordal Christensen; 8pm; Sep 11
- FLORENCE
- EXHIBITION Casa Buonarroti Tel: 39-55-241762
  - Rodin e Michelangelo: this exhibition focuses on the ways in which the French sculptor Auguste Rodin (1840-1917) was

- inspired by the work of Michelangelo. The display combines sculptures and drawings by Rodin from the collection of the Philadelphia Museum of Art with Michelangelo's original models and drawings from the Casa Buonarroti; to Sep 30
- GHEENT
- CONCERT Festival van Vlaanderen - Gent Tel: 32-9-2439494
  - Festival Happening '96: the opening festival of the Flanders Festival in Ghent features concerts all over the city centre. Included are performances by the New London Consort, the Hilliard Ensemble, the Turner Quartet and others. Highlight of the day is a concert given by the City of Birmingham Symphony Orchestra conducted by Simon Rattle at the St Bavo Cathedral (8pm), featuring Haydn's Symphony No.85 and Bruckner's Symphony No.7; Sep 14
- EXHIBITION Museum voor Sierkunst en Vormgeving Tel: 32-9-2253676
- Jan Eizenloffel Art. Nieuwsovergebruikt in zilver, email en goud: retrospective exhibition devoted to the work of the Dutch decorative artist, gold and silver smith Jan Eizenloffel. The display features some 200 objects, including coffee- and tea-sets, and jewellery; to Sep 15
- LONDON AUCTION

- Christie's South Kensington Tel: 44-171-6817611
  - Guinness, My Goodness: this sale features the Ian Livingstone Collection of Guinness Advertising Ware, formed over a period of 10 years. The collection includes books, examples of original poster artwork, ceramics produced for Guinness in the 1950s by Carlton Ware, the Stoke-on-Trent based pottery, and other objects; 2pm; Sep 11
- CONCERT Royal Albert Hall Tel: 44-171-5898212
- BBC Philharmonic; with conductor Van Pascal Tortelier, violinist Olivier Charrier and pianist Jean-Yves Thibaudet perform works by Dutilleul, and Messiaen. Part of the BBC Henry Wood Promenade Concerts (Proms); 7.30pm; Sep 11
- EXHIBITION British Museum Tel: 44-171-6381555
- Mysteries of Ancient China. New Discoveries from the Early Dynasties: this loan exhibition from China features important archaeological finds of the last two decades from the neolithic (c. 4500BC) to the Han dynasty (206 BC-AD220). The emphasis is on religious beliefs, especially those concerned with the spirit world and the afterlife. Included are the results of a 1986 find in Guanghan, south-west China, which uncovered evidence of an unknown civilisation dating back to 3,000 years ago. An human sculpture with giant hands,

- standing nearly 3 metres tall, is one of the most astonishing pieces among others; from Sep 13 to Jan 5
- LUCERNE CONCERT Kunsthaus Luzern Tel: 41-41-2103562
- Wiener Philharmoniker; with conductor Claudio Abbado and soprano Felicity Lott perform works by Liszt, Wagner and R. Strauss. Part of the Internationale Musikfestwochen Luzern; 7.30pm; Sep 11
- NEW YORK EXHIBITION Whitney Museum of American Art Tel: 1-212-870-3600
- NYNY: City of Ambition: exhibition of works by 20th century artists inspired by New York City. The display brings together paintings, photographs and films from the museum's collection and other sources to represent a wide range of artists' views on the city; to Oct 27
- OPERA New York State Theater Tel: 1-212-875-5570
- Madama Butterfly; by Puccini. Conducted by Imre Pallo and performed by the New York City Opera. Soloists include Patrick Denniston and Elizabeth Hynes; 8pm; Sep 12
- PARIS OPERA

- L'Opéra de Paris Bastille Tel: 33-1 44 73 13 99
  - La Bohème; by Puccini. Conducted by Mark Elder and performed by the Orchestre et Choeurs de l'Opéra National de Paris. Soloists include Franco Farina, Franck Leguérinel and Nuccia Focile; 7.30pm; Sep 12, 14
- SAN FRANCISCO CONCERT Louise M. Davies Symphony Hall Tel: 1-415-864-6000
- San Francisco Symphony; with conductor Michael Tilson Thomas, pianist Leon Fleisher and viola-player Geraldine Weather perform works by Kraft, Brahms and Berlioz; 8pm; Sep 11, 12, 14
- ZURICH OPERA Opernhaus Zürich Tel: 41-1-268 6566
- Linda di Chamouric by Donizetti. Conducted by Adam Fischer and performed by the Oper Zürich. Soloists include Edita Gruberova, Cornelia Kalisch and László Polgár; 8pm; Sep 11
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Martin Wolf

# Menace of the big bear

The stock market revaluation over the past 15 years, culminating in a postwar peak, has brought exceptional returns on US equities. These cannot last

Mr George Soros wrote in the Financial Times on October 14 1987 that "the Japanese stock market is following a classic boom/bust pattern... A turning point is imminent". On October 19, the markets did crash - but in New York, not Tokyo. The Nikkei 225 stock index proceeded to rise another 50 per cent above its level of September 1987. In the years of the bubble that burst in January 1990 every conceivable explanation was advanced for the levitation of Japanese stock prices. Yet in the end, as Mr Soros predicted, they tumbled.

Once the doubts were about Tokyo, now they are about New York. In retrospect the crash of 1987 was no more than a blip in a sustained bull market that saw Standard and Poor's composite index rise 540 per cent between late 1979 and July 1996. It is now at twice its pre-crash peak. Again the weight of the rationalisations for its gravity-defying behaviour is as impressive as that of money in the market. Many of these have some validity. Whether they justify a 50 per cent rise in the market between mid-1984 and July 1996 alone is another matter.

What is needed is a rational measure of underlying value. The one that best meets this requirement is the "valuation ratio", or Tobin's Q - after James Tobin, Nobel-laureate professor of economics at Yale University. This measure is the ratio of stock market value to net assets of companies, at replacement cost.

When Q is much below one, the market values companies at less than their assets - and the cheapest way to acquire a new factory is to buy one on the floor of the stock exchange. When it is well above one, it is correspondingly rewarding to build a new factory and sell it on the floor of the exchange. In equilibrium,

the value of the shares should equal replacement cost of net assets. The return to holders of equity will then equal that on companies' underlying real assets. In the short to medium term, however, returns to equity-holders can deviate sharply from those on corporate capital because of changes in market valuations.

The chart, taken from an analysis by Andrew Smithers, of Smithers & Co, a London-based investment adviser, and his associate Stephen Wright of Cambridge University, traces Tobin's Q for the US from 1925 to 1995. The Economic Threat Posed by the US Asset Bubble, Report No 22, July 22 1996. Three points emerge:

The valuation ratio has fluctuated between a low of 0.4 and a high of nearly 1.8, with a mean of around 0.7.

Bull and bear phases in the stock market can be very lengthy.

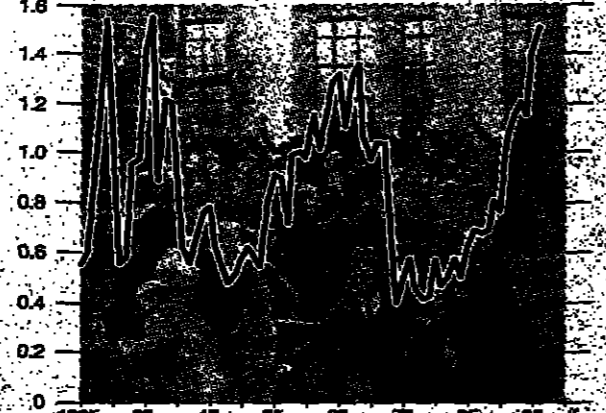
In 1987 the market was not in fact highly valued, but it is now - as much so as in 1929.

Tobin's Q provides not a forecast of the market, but a measure of risk. What lies behind the increased risk is another matter.

What is needed is a rational measure of underlying value. The one that best meets this requirement is the "valuation ratio", or Tobin's Q - after James Tobin, Nobel-laureate professor of economics at Yale University. This measure is the ratio of stock market value to net assets of companies, at replacement cost.

### How Wall Street has valued Main Street

Ratio of stock market capitalisation to corporate net worth at replacement cost, excluding land



Source: Bergstein & Co

easy to see. In his *Stocks for the Long Run* (Irwin, 1994), Professor Jeremy Siegel has calculated the real return on equity in the US at around 6 1/2 per cent over any sustained period (1871-1992, for example, or 1926-1992). On similar methods, the real return since 1979 has been about 13 per cent, largely because of the rising valuation of companies in the stock market. If much of the money has been invested on the assumption that such exceptional returns can last indefinitely, this is a bubble.

What happens when market bubbles burst? "After the three previous periods of significant overvaluation," argue Messrs Smithers and Wright, "the market fell sharply, with the minimum decline being 46 per cent and the average 63 per cent." Intriguingly, the peak to trough decline of the Nikkei 225 index in the 1990s has also been over 60 per cent.

Inevitably, both the figures and the interpretation are open to objection. Since 1945 the ratio of the market value of the equities of US non-farm, non-financial companies to their net worth, at replacement cost, has been published by the

Federal Reserve. Before 1945, however, estimates have to be put together from a number of sources; the Department of Commerce for reproducible tangible wealth; information on interest payments for estimates of corporate indebtedness; and two different sources for the valuation of equities. Fortunately, such rough and ready methods appear to follow the Federal Reserve data for the post-war period.

A paper by Ms Abby Cohen and Mr Steven Elmhorn of Goldman Sachs, published on June 3, objects that the Federal Reserve's estimates of corporate net worth since 1989 must be mistaken because they imply a drastic decline in the value of land. The solution is to exclude land altogether, as the chart below does. The valuation ratio remains higher than at any time since the war, as a roughly equivalent chart in the Goldman Sachs paper also demonstrates.

Then there is the matter of interpretation. The warning given by the valuation ratio can be explained away by two arguments.

First, prospective real rates of return on corporate capital are higher than before.

Second, figures for reproducible tangible assets present an increasingly misleading picture of companies' wealth.

remains below levels in the 1960s, this recovery may have further to go. Yet it cannot continue indefinitely.

Grant however, that prospective returns on investment have indeed improved. Consistency requires this should also raise the cost of capital - or discount rate - to be applied to future earnings, because the rate of return and the cost of capital are two sides of one coin.

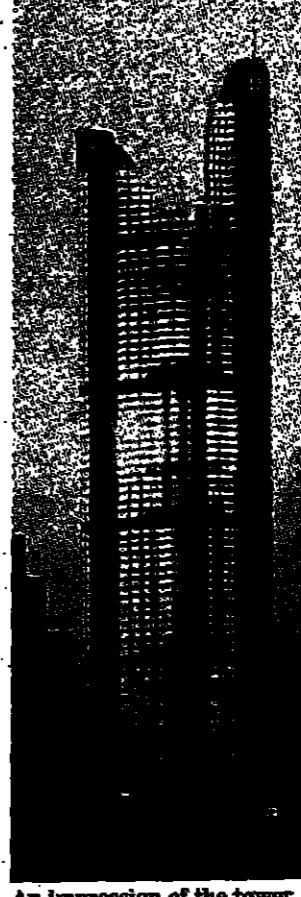
Thus an improvement in the return on capital is not enough to explain a rise in the valuation ratio.

The second objection to reliance on the valuation ratio is that in a knowledge-based economy assets are increasingly intangible. The valuation ratio should then rise over time, because stockmarket investors are increasingly buying rights to a return on assets that are not included in estimates of corporate net worth. Investments in such knowledge are accumulated, instead, as current expenditures, thereby understating both annual operating profits and investment. This argument would imply some upward drift in Tobin's Q over long periods. But it seems most unlikely that it could justify today's stratospheric valuation ratio.

To reinforce the point made by Tobin's Q, the dividend yield on the S&P composite index is half its historic average, while the P/E ratio is 40 per cent above its average. People have grown increasingly accustomed to returns twice as high as the long-term average. Some must be investing in the hope that these will continue. But the high returns of the past one and a half decades reflect the progressive revaluation of stocks. They cannot last even if valuations remain at high levels, let alone if they fall. Optimism about US economic prospects is one thing; belief in stock market miracles quite another.

# A towering symbol of lofty ambition

## Simon London on controversial plans for a landmark building in the City of London



An impression of the tower

Irrespective of its aesthetics, Sir Norman Foster's design for a Millennium Tower in the City of London could turn out to be a masterpiece of timing.

First, the plan for a monumental building to celebrate the millennium could sway public and government opinion to support a potentially controversial project.

Second, the proposal comes as the Corporation of London, the City's local authority, is setting about its ability to defend the Square Mile as the centre of the European financial services industry.

The proposed 1,265ft Millennium Tower would be 270ft higher than the Commerbank headquarters now under construction in Frankfurt, London's main rival as Europe's financial centre.

It would also dwarf the main tower at Canary Wharf, the Docklands office development to the east of the City which has recently attracted important financial tenants including Citibank, the US commercial bank.

The Corporation is, therefore, being presented with an opportunity to send a powerful signal that the City is fighting its corner.

But many turns on the attitude of Mr John Gummer, the environment secretary, who has the power to intervene in planning issues of national significance. Mr Gummer has not been afraid to use these powers in the past to block schemes of which he disapproved. The question is whether he is feeling adventurous in the run-up to the millennium.

floors and 1.5m sq ft of lettable space - and lies outside the City's web of conservation areas and the St Paul's sight-lines.

A number of financial sector tenants are looking for new headquarters. These include Merrill Lynch, the US investment bank, and Life, the futures and options exchange. And big empty buildings are in short supply in the City after four years during which virtually no new buildings were erected.

Kvaerner will argue that the Corporation needs to keep these organisations within the Square Mile and that it should therefore be allowed to build a modern, monumental tower.

The Norwegian company's interest in the Millennium Tower is not altruistic. Developing very tall buildings can be highly profitable. Frankfurt's Messeturm, Germany's tallest occupied skyscraper, is regarded as the most profitable European development of the past decade.

Most property industry observers believe the Millennium Tower proposal is commercially viable. The big question is whether the planning authorities allow it to go ahead.

Kvaerner has a fighting chance if it can show that its project has real economic benefits for the City. "The system requires us to grant planning permission unless there are good policy reasons for us not to do so," says Mr Peter Rees, the Corporation's chief planning officer.

# Pfizer forum

Paying for long term care.

BY GERALD HOLTHAM

A study from a leading U.K. centre-left think tank proposes an innovative mechanism for funding long-term care, its Director explains.

As the numbers of people living well past 80 increase year by year, concerns are growing about how to fund long-term care. Under the current system in the U.K., which is means-tested, local authorities place an immediate charge on the property of someone entering residential care. The care costs are fully recovered, with interest, when the property is sold. A "disregard" of £16,000 is all that is left to the individual's estate.

The principal losers are older people who are ineligible for free care, but whose assets are nevertheless modest - and their heirs. The system is inequitable, since the risk of incurring catastrophic costs falls randomly. Means-testing discourages saving and many find it demeaning. Some families are induced to provide informal care for financial reasons alone, when formal care is more appropriate.

What are the alternatives? In the absence of a political decision to commit more public funds from existing sources, one option is to introduce compulsory social insurance, based on contributions from working people. By pooling risk, it avoids the inequity of heavy costs falling arbitrarily upon some families. Unlike means-tested schemes, it is not demeaning. It carries no disincentive to save. It enables families to make decisions about informal care without putting financial considerations first.

On the down side, a safety-net would still be required for those unable to pay regular contributions. Moreover, can voters in their 20s and 30s have faith that paying today would guarantee benefits in 40 or 50 years' time?

One type of social insurance, recently introduced in Germany, is pay-as-you-go (PAYG), which offers cover for today's elderly, financed by today's taxpayers. This could come into effect immediately, but it would be expensive, especially for future generations, when fewer workers would have to foot the bill for growing numbers of elderly. In effect, replacing the current

arrangements with a PAYG scheme would redistribute wealth from the working population to those who stand to inherit from modestly well-off older people.

A funded social insurance scheme would not present the same problems. Individuals of working age would pay contributions from their income which would be invested on their behalf in order to provide a fund from which their future long-term care needs would be financed. This would cost less than a PAYG scheme and would not have



Gerald Holtam is Director of the Institute of Public Policy Research. Paying for Long Term Care is available from the IPPR, 30-32 Southampton Street, London WC2E 7RA, £7.50 plus s&p.

the same distributional consequences. But it would take some 30 years to come to fruition. Meanwhile, transitional arrangements could be very costly.

The Government has proposed a partnership scheme to encourage take-up of voluntary long-term care insurance. Accordingly, if individuals buy an approved private insurance policy and their cover runs out before they die, they can apply for means-tested care, but keep a larger proportion of their assets. Premiums are lower than PAYG, but the scheme can only help those who are able or willing to take out private insurance. And it seems unduly focused on preserving equity, rather than on meeting needs.

whether or not you have incurred long-term care costs.

The scheme should appeal to the age group already concerned about long-term care. It suits the pockets of most older people, who tend to be cash-poor but asset rich. It offers security: no-one who enters the scheme needs sell their house before they die to fund long-term care. Whatever happens, you know how much of your assets you can keep. And, except where house prices are very low, the bulk of the property value can be protected.

PERIs could be a financial product offered by banks, building societies, life insurance companies, pension companies, or by care home providers offering an integrated package. Success will inevitably depend on how insurers calculate the risks and on how many people think it is worth buying into the scheme. The private sector may be slow to develop the product unless encouraged by Government. Some enabling legislation will be necessary and doubtless there will be calls for tax incentives. A variation on the partnership theme could significantly reduce costs - for example, if individuals insured for three years' cover and thereafter received non-means-tested care paid by the state. In any event, clear, credible and accountable regulation will be essential to establish public confidence in PERIs.

Gerald Holtam is Director of the Institute of Public Policy Research. Paying for Long Term Care is available from the IPPR, 30-32 Southampton Street, London WC2E 7RA, £7.50 plus s&p.

PFIZER GROUP LIMITED, 23 Avenue Road, London EC1A 3FB. Tel: 020 7461 2000. **Pfizer**

## OECD adopting a worrying stance over South Korea

From Mr Aidan Foster-Carter

Sir, Why is the OECD giving South Korea such a hard time ("Seoul hits impasse over OECD entry", September 6)? Its attitude recalls Oscar Wilde's definition of a pessimist, who insists that a half-full glass of water is half empty. Anyone who remembers the Lillian fortress that the South Korean economy used to be must give credit to the present administration for its commitment to *aggiornamento* (globalisation). Hardly a day goes by without some new measure of deregulation or liberalisation.

Yet, like Oliver Twist, the OECD keeps asking for more - and this at a time when Seoul's economy is going through a bumpy patch. The result is a worrying new development. Hitherto,

economic policy in Seoul, rather remarkably, had always been supra-partisan in party terms. Now, thanks to the OECD positioning itself as a bully, opposition parties have been handed a populist issue with which to put the government on the defensive. This can only impede liberalisation.

No doubt the response from Paris is that the OECD is a club with strict rules; and that no one is forcing South Korea to join. Both arguments are specious. It let in Mexico, an unreconstructed third world country, and has looked kindly on applicants from eastern Europe, in both cases for largely political reasons. In like manner it should ponder the implications of excluding what is already the world's 11th largest economy, soon

to be in the top 10. There are wider issues at stake here. South Korea is the only Asian tiger even interested in joining the OECD. As the global economic centre of gravity moves relentlessly east, there is no guarantee Asia's rising economic powers will queue up in hand to join older institutions which a certain kind of rhetoric can easily portray as white and western. If the OECD is going to be this haughty to tigers, it will put at risk its claim to be a truly global institution.

Aidan Foster-Carter, (senior lecturer in sociology, University of Leeds, director, Leeds University Korea Project) 17 Birklands Road, Shipley, West Yorkshire, UK

## UK setting example in regulatory standards

From Mr Howard Flight

Sir, With the investment management industry serving an ever wider spectrum of the population and the growth of investment funds whose users do not have a direct portfolio client relationship with their manager, it is appropriate and desirable for the highest standards of professional conduct to have the force of law and regulation.

Had there been similar developments with Lloyd's ten years ago, a lot of the problems might have been avoided. The point also needs stressing, however, that it is really only in the Anglo-Saxon economies, led by the US and UK, that there are the legal and regulatory mechanisms to expose and punish - publicly - conduct which is not of the highest professional standards.

It would be unfortunate if the UK investment management industry suffered damage to its reputation as a result of the fact that there is now effective regulation uncovering and exposing misdeeds, when these scarcely exist in much of the rest of the world, including most of continental Europe and much of the Far East. Very simply, would it not be a good idea to make the point that regulation is working in the UK to uncover and to root out anything less than the highest standards of professional conduct?

Would that this were the case in many other and - particularly - continental European locations.

Howard Flight, Guinness Flight Global Asset Management, Lighterman's Court, 5 Gainsford Street, London SE1 2NR, UK

## Blinkered view of a changing world

From Ms Susie Hall

Sir, I write in response to Christopher Dunkley's article "From science to psychic snake oil" (September 4). Perhaps I could start by asking if Mr Dunkley has had his head buried in the sand for the past five years or so? Has he not witnessed a material change in our society? - a shift away from the more traditional theories and practices and increasing interest in more "alternative" approaches. Perhaps it has not come to his attention that "even

intelligent" members of our society are becoming more spiritually aware, more welcoming of the idea that there might be more to life if we just raised our level of consciousness and opened our minds.

Has Mr Dunkley and his friends at Oxford ever had a reading from a genuine psychic medium? They might be in for a surprise. I don't blame anyone for being cynical; it's usually the inexplicable that you begin to question what lies behind it all - but don't

dismiss it as "clairvoyance". As for the "examination of western industrial societies" - if more men got in touch with their feelings, the world would be a much calmer place. Perhaps I could prescribe an aromatherapy massage for you: TV critic, I would hardly describe using the natural oils of plants to induce relaxation and enhance well-being as "nonsense".

Susie Hall, 128 Kennedy Road, Mid Levels, Hong Kong

## UK gas regulator should be even-handed

From Mr W.J. Lowry

Sir, Last night (August 24) that British Gas's main gripe is that it should be able to depreciate the full cost of its assets, but the assets should be valued at a discount to replacement cost to take account of the fact that they were privatised on the cheap. As a shareholder my gripe is that the UK

government, having sold

shares at a fixed price, is now eight years later in effect saying through its agent I must pay more! I note that whenever the industry regulator, Ms Clare Spottiswoode, announces any proposals she reportedly claims them to be fair to shareholder and consumer alike. Figures are produced showing the effect on the consumer's bill. Noticeably

absent are any figures regarding the effect on share price. If the regulator is bound by her terms of reference to be even-handed then to seek a reputation as a consumer champion is clearly to exceed them.

W.J. Lowry, Apartado de Correos 602, 29680 Estepona, Malaga, Spain



COMMENT & ANALYSIS

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL  
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700

Tuesday September 10 1996

# Clinton and the Kurds

Last week's US missile attacks on air defence systems in southern Iraq were widely described as a "show of strength". In fact they were a show of weakness. The choice and location of the targets suggested that the US and its allies are either unable or unwilling to defend the line in the mountains which they drew in 1991 when they proclaimed a "safe haven" for the Kurds.

Finally, that line was drawn along the 36th parallel. In practice no attempt was made, even then, to drive all of Saddam Hussein's troops south of the 36th parallel. They remained in the mainly Arab city of Mosul, which is north of the parallel, but withdrew from the Kurdish province of Sulaimaniya, which is south of it. Thus, although Sulaimaniya was technically beyond allied protection, it formed an integral part of the protected Kurdish entity.

On August 31 there was a massive movement of Iraqi tanks and artillery towards Arbil, north of the parallel. Forces of the Patriotic Union of Kurdistan (PUK) and of the western-backed Iraqi National Congress were overrun. Officers of the US Central Intelligence Agency got out just in time, but over 100 INK soldiers (mainly defectors from the Iraqi army), who had gone to Arbil to monitor a US-brokered ceasefire between the two rival Kurdish factions, were seized and summarily executed. Many more were taken away to an unknown fate. The INK headquarters was destroyed, and Iraqi intelligence officers went from house to house searching for its leaders.

This action was rightly denounced by the US as a gross

violation of the safe haven, justifying a military response. Both the US and Britain rightly dismissed the fact that the Iraqi troops had been asked for help by the Kurdistan Democratic Party (KDP) as irrelevant. Malcolm Rifkind, the UK foreign secretary, was particularly eloquent in deriding the idea that Saddam would have acted to help the Kurds, or for any other purpose than to reimpose his oppressive rule.

The west originally intervened in northern Iraq claiming a UN mandate to restore peace and security in the region, and citing a security council resolution which defined Saddam's repression of the Iraqi people, and particularly the Kurds, as a grave threat to peace and security. The 36th parallel was a line the west arbitrarily chose, not mentioned in any UN resolution. Now it happens that the Kurds most immediately threatened by Saddam's repression are south of the parallel, in Sulaimaniya. Neither that geographical quibble, nor the fact that one Kurdish party has sided with Saddam, can absolve the west of its responsibility to defend the victims against that threat.

The extension of the no-fly zone in the south was a crudely inappropriate response to a threat in the north. It is against Iraqi tanks and troops directly threatening the Kurds that US air power should be deployed. No convincing explanation for the failure to do this has been given. The suspicion must be that targets in the south were chosen because that involved little or no risk to US pilots. But even a superpower cannot win respect unless it is prepared to take some risks.

# Off the floor

Carpets are the thing to be in at this stage of the UK's economic recovery. This suggests a reason for caution.

Retail sales in the three months to August rose at a spanning annual rate of 6.5 per cent, and one of the most buoyant sectors is carpets and furnishings, the British Retail Consortium said yesterday.

House prices are now about 5.7 per cent higher than a year ago, according to the Halifax building society. Real personal disposable incomes are rising at an annual rate of about 3 per cent, partly because retail price inflation is muted. So people are feeling better and going shopping, particularly for household goods such as carpets.

This may be good news for the 2.1m who are officially unemployed, because the economy is not gaining much momentum from other sources.

Export growth has fallen back to an annual rate of about 1 per cent (compared with 9 per cent in 1994), reflecting the sluggish state of continental European markets. Imports, meanwhile, have shown a familiar tendency to accelerate.

The government's tight public spending controls have also had a depressing effect, although unexpectedly low inflation has

meant that the cash allocated to departments could buy more than was originally planned. However, factory output has not been responding to extra demand until recently, because manufacturers' stocks remained high.

There are signs now that stocks are no longer excessive. As a result, the growth in national output is generally expected to accelerate from an annual rate of less than 2 per cent at the beginning of this year to perhaps as much as 3.5 per cent next year.

But it is a recovery strongly led by consumer demand, with exports and capital investment taking a minor role so far. Investment may pick up, giving the recovery a broader base. But there clearly is a danger that recovery will depend too strongly on consumers feeling good as a result of low interest rates and accelerating house price inflation.

The similarity with the inflationary spiral of 1990 is weak so far, but suggestive. As the Bank of England has warned, the government must be prepared if necessary to raise interest rates. Nor should it offer a spurge of electioneering tax cuts. This recovery needs no such doctoring.

# Russia's prize

The latest economic news from Russia is very welcome. Prices dropped by 0.2 per cent last month, their first decline since they were liberalised in January 1992. This does not mean that the inflation problem has been solved for ever, and it is possible that the full effect of President Boris Yeltsin's presidential amnesty has yet to be felt. But the mounting evidence that inflation has at least been tamed suggests that one precondition for rapid, sustainable growth is now in place. There are, of course, others. The public-sector deficit has to be cut, and more efficiently funded, by tightening up on tax collection and opening the treasury bill market to a broader range of players. A fairer tax system, and clearer rules of the game, will also be needed if Russia is to fulfil its potential as a magnet for foreign investment.

Western economists often talk about these challenges as though their solution lay in convincing Russia's rulers of the correctness of an economic idea or administrative technique. In fact, the economic problems of the post-Soviet state, like most of its other problems, are as much political as technical. The prospects for tackling them depend less on academic theo-

ries than on the balance of power between the factions competing to sway the Kremlin.

But this hard fact of Russian life need not prevent the solution of outstanding problems. In political terms, the conquest of inflation is a signal that interest groups with a stake in sound money are now more powerful than those which benefited from high inflation. The latter group was large and diverse, ranging from banks making easy profits in the money market to enterprises with debts to burn off. But for now, it seems to have been defeated by more dynamic players in the new financial, industrial and energy groups which want to consolidate their power.

It is precisely this emerging elite that benefits, in the short term, from the economy's remaining distortions: tax breaks for the government's corporate friends, a closed debt market and a climate of legal uncertainty that deters foreign prizes. But given the potential capitalists, from a prolonged boom, the hope must be that they will see beyond their narrow interests and accept the need for further reform. The victory over inflation suggests that these hopes are not futile.



# The grind of staying ahead

## German machine-tool companies are focusing on high-precision products at home to remain competitive, says Peter Marsh

Walter, one of Germany's most venerable machine-tool companies, is renowned for its specialist tool-grinding systems, an industry in which it is one of the world's five biggest companies. But after more than 40 years of making machines in the leafy southern German town of Tübingen, it is about to shift production to Brno in the Czech Republic, where labour costs are 80 per cent lower.

Such moves have become almost commonplace in the German machine-tool industry in recent years as companies have come under remorseless cost and competitive pressures. Yet despite large reductions in output and profits, executives are gathering today in Stuttgart for the biennial AMB metalworking exhibition, amid signs of renewed vigour in the sector.

After a 6 per cent year-on-year decline in machinery orders in the first half of the year, signs that the German economy is picking up coincided with a 9 per cent order increase in July in machinery generally - the first bit of good news for the machine-tool sector for some time.

"I think we are coming out of the deep hole," says Mr Ulrich Herzman, director of the German machinery association in the state of Baden-Württemberg where many of Germany's largest machine-tool companies are based.

With annual sales of DM12bn, the German machine-tool industry is Europe's biggest - globally only Japan's is larger. Some 400 companies in the sector supply international industries from car-makers to computers, and have a high reputation for technical excellence.

Like the rest of the engineering industry, most of the German machine toolmakers are small-to-medium-sized, family-owned enterprises known as the Mittelstand. And like many other parts

of German industry, they have been hit in recent years by high labour costs, the weakness of the European economy, a big reduction in demand from traditional markets in former communist bloc countries, and rising competition from Japan and east Asia.

The machine-toolmakers are "key players in the German industrial set-up", says Mr Roland Berger, chairman of Roland Berger & Partner, the Munich-based management consultancy. Mr Berger says the struggle of many companies to maintain a high level of innovation while controlling costs and dealing with increased global competition is typical of the problems faced by many German manufacturers.

German machine-tool output has fallen by a quarter since the late 1980s, and employment has been cut by 40 per cent to about 65,000. Of Germany's machine-tool companies, no more than a third are in good financial shape, according to Mr Olaf Tölke, an engineering analyst at Merrill Lynch, the US investment bank.

Deckel and Maho, two large companies that in 1990 had combined annual sales of DM1.4bn, merged in 1993 under extreme financial pressure, only to collapse two years ago with liabilities of DM500m. Some of the assets have been taken over by Gildemeister, Germany's biggest publicly quoted machine-tool company, which, together with Traub, another leading quoted tool business, continues to have severe financial problems.

Hüller Hille, the machine-tool subsidiary of Thyssen, the steel and engineering company, narrowly escaped collapse in 1993 with a loss of DM60m and has returned to some semblance of health only after cutting several hundred jobs.

One of the most pressing problems is Germany's high wage costs. These have made much of it uncompetitive - particularly companies which produce standard products such as lathes and

machining centres which are also produced by foreign manufacturers.

Hourly wage rates in the industry are between DM20 (€8.60) and DM30 for a skilled worker. Overtime, holiday bonuses and social security contributions, can push up labour costs for each employee to about DM65,000 a month - at least twice as much as in the UK and 10 times the level of the Czech Republic.

Many big companies such as Walter have tackled this by subcontracting work, particularly to the lower-cost countries of the former communist bloc in eastern Europe. For example, Moforte, a family-owned maker of computerised lathes, buys up to 80 per cent of the components for some of its best-selling machines from outside suppliers, often from Bulgaria or Slovakia. The outsourcing has led over five years to a halving in employment at its factory in Mönchengladbach, which now has 170 workers for annual sales of DM60m.

Observers are typically used to make parts such as castings or machined items, leaving high-precision jobs to the German workforces. And despite large reductions in output and profits, the toolmakers are investing in these core competences in their German factories.

Schuler, Germany's third-biggest machine-tool company, for example, has just finished a three-year DM100m investment programme at its main Göttingen factory. It argues that spending heavily on automated, highly precise equipment for making machinery plays to German strengths and is one way for German industry to retain the edge on worldwide rivals.

Mr Heinrich Frontzek, Schuler's marketing director, says the company's DM100m investment programme at its main factory is vital to tool up for making high-precision components which are

particularly hard to manufacture.

Mr Carl Martin Welcker, president of Alfred Schütte, another big machine-tool company, says the doubling of his research and development budget, from 5 per cent to 10 per cent of his business's DM150m annual turnover, is paying off in better products and improved earnings.

Mr Welcker says German machine-tool companies must become tougher and more commercially driven. "I regret that so many people in Germany are obsessed with sales, not profits," says Mr Welcker. "This view will have to alter."

Trumpf, Europe's biggest machine-tool company, has increased its spending in Germany on plant and equipment from about DM11m in 1994-95 to roughly DM17m in its last financial year. It is likely to continue at around this level this year, with the possible construction of a new plant near Stuttgart.

Many of the big companies have also tried to shift their sales focus from their large traditional market in Germany and the rest of Europe over the past five years. More effort is being made to sell in north and south America and Asia. Trumpf, for example, is making cheaper versions of its laser systems in Singapore aimed specifically at Asian customers. The company already has a plant in the US which produces 15 per cent of its output. Overall, it has 60 per cent of sales and a third of its 3,000 employees outside Germany, proportions which are well ahead of the rest of the industry.

Gildemeister, Germany's second-biggest machine-tool company, is also to begin producing a cheap lathe for sale to the Asian market, made almost completely in Taiwan. The plan should lift the proportion of the company's sales in Asia from 9 per cent now to 15 per cent by 2000.

Many of the more successful companies have increased spending in research and development to make more specialised

machines that do complicated jobs at relatively low cost. Alfred Schütte, for example, spends about 10 per cent of its annual sales of DM150m on research and development, up from 5 per cent in the early 1990s.

"We get 85 per cent of our sales from models that are less than three years old, while five years ago the comparable figure was just 5 per cent," says Mr Carl Martin Welcker, the company's president.

A similar strategy has been followed at Index, of Esslingen, which like Schütte makes specialised machining centres carrying a large number of tools for precise tasks such as boring or drilling.

Yet despite all this activity, observers believe the industry may need to go much further if it is to retain its global position. According to Mr Tölke of Merrill Lynch, there are just too many German machine-tool companies making similar products. Many are being kept alive by a combination of banks and shareholders reluctant to see these family companies die.

More mergers are likely, although some companies may seek economies by pooling resources such as research and marketing. Mr Alex Magrona, an expert in German industry at Robert Fleming Securities, the UK merchant bank, believes that in five years only about a quarter of the companies will still exist in their present form.

But while some industry observers are sceptical about the industry recovering its position, Mr Manfred von Raven, head of the automation division at Siemens, the German electronics company which supplies many machine builders with controls, is more optimistic.

"In the past five years the German machine-tool industry has felt the harsh wind of competition," he says. "But there is so much technical and manufacturing expertise inside the industry, I am sure it can revitalise itself."

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Financial Times

"Long-term business success comes from earning our customers' respect."

KAZUO INAMORI, founder of Kyocera



FINANCIAL TIMES

Tuesday September 10 1996

KYOCERA, world leader in high-tech ceramics, continuously develops new uses for its technology in the IT and automotive industry, medicine, electronics and metal processing.



Hunger for war booty drives fight between Kurdish clans

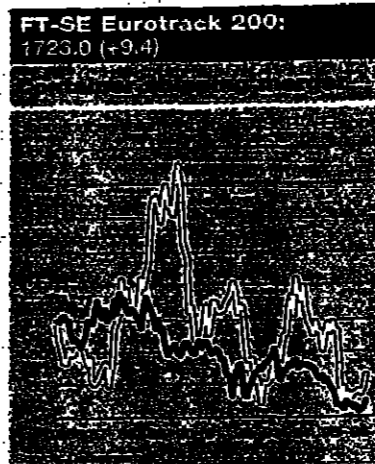
Huge fortunes have been made in northern Iraq's Kurdish enclave in the past five years. A new class of rich traders and clan leaders has amassed considerable wealth through sanctions-busting trade with Turkey, punitive taxes on the region's 6m people and queuing the dozens of aid agencies operating in the enclave.

Rival chieftains in north Iraq have been amassing fortunes, reports John Barham

Iraqi diesel. Although a violation of the United Nations sanctions on Iraq, the west has turned a blind eye to the trade. The KDP levies "customs" dues worth between \$100,000 and \$250,000 a day on the trucks. Diplomats say the Barzani family takes most of these revenues, much of which are spirited away to offshore bank accounts.

THE LEX COLUMN Containing competition

What a difference a deal makes. P&O and Nedlloyd have been struggling with container shipping subsidiaries that swallow piles of cash in exchange for pathetic returns.



only 38 per cent of sales. As a multiple of last year's \$20m pre-tax profits, the transaction may seem expensive; but they were struck after central Kodak overhauls and medical benefits for pensioners - costs Danka will not assume.

The deal has to clear the European Commission, and while container shipping is a fragmented and competitive industry, P&O/Nedlloyd would have a commanding share of certain routes. Nonetheless, it has a good chance of success. And the endgame could be even more enticing.

ness uneasy about the government's market credentials. It must move decisively to alter these perceptions, not least because they impede its agenda of boosting growth, employment and redistribution.

Fairfax

Time is money - a point which cannot be lost on Mr Conrad Black, the Canadian media proprietor who owns 25 per cent of John Fairfax.

South Africa For South Africa, paradise gained is threatening to become paradise lost. The government's European roadshow this week takes place with pessimism at levels unmatched in recent years.

Danka/Kodak Danka has at least partly re-established its reputation as a stock market darling with its \$650m (\$38.4m) acquisition of Kodak's photocopier distribution business.

Olivetti shares hit record low

Continued from Page 1

that the company would not seek state aid and that future strategic alliances were not jeopardised by the current uncertainty. He was in London promoting the company to clients, his first business trip abroad since last Tuesday's meeting at which he, the Benedetti, Olivetti's main shareholder, resigned.

Singapore PM plays down racism row with Malaysia

By James Kyngse in Kuala Lumpur

Singapore's prime minister, Mr Goh Chok Tong, yesterday tried to defuse a row with Malaysia, touched off last week when the question of a possible reunification of the two states was raised.

Race is the most sensitive question in Singaporean-Malaysian relations. Mr Goh said yesterday he was puzzled as to why Dr Mahathir had spoken "so harshly" and insisted the Malaysian prime minister's criticisms of Singapore were based on a misinterpretation of what he and Mr Lee had said.

The Singapore premier said he had no intention of provoking Malaysians or of impugning their system of government when he made his remarks. Dr Mahathir criticised Mr Goh for suggesting last month that Singapore might be forced to ask Malaysia to take it back if the island's economy slumped.

On Friday, Olivetti issued a statement describing the allegations as "totally unfounded". It said the accounts had been prepared in strict conformity with legal and accounting requirements.

P&O and Nedlloyd in containers move

Continued from Page 1

operating in an intensely competitive market with most companies continuing to place orders for new and larger container vessels, they noted.

the required scale to compete successfully throughout the world," said Mr Leo Berndsen, Nedlloyd chairman.

When the company had doubled in size to 5m container movements it would be large enough to seek a stock market listing.

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